

## **ANNUAL INFORMATION FORM**



### **BEAR CREEK MINING CORPORATION**

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For the year ended December 31, 2017

Dated April 19, 2018

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## PRELIMINARY NOTES

In this Annual Information Form, (“**Annual Information Form**” or “**AIF**”) Bear Creek Mining Corporation is referred to as the “**Company**”, “**Bear Creek**” or “**BCM**”. All information contained herein is as at and for the year ended December 31, 2017, unless otherwise specified.

### Currency

This Annual Information Form contains references to both United States dollars and Canadian dollars. United States dollars are referred to as “\$” or “US\$” and Canadian dollars are referred to as “CDN\$”. Peru’s official monetary unit is the Sol (“S/.”)

According to the Bank of Canada ([www.bankofcanada.ca](http://www.bankofcanada.ca)), on April 19, 2018, the Sol to US dollar daily exchange rate was 3.22 S/. to US\$1, and the Canadian dollar to US dollar daily exchange rate was CDN\$1.2633 to US\$1.

### Cautionary Statement Regarding Forward-Looking Statements

This Annual Information Form contains forward-looking statements or forward-looking information under applicable Canadian securities laws (hereinafter collectively referred to as “**forward-looking statements**”) concerning the Company’s plans for its properties, operations and other matters. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Statements concerning estimates of mineral resources and mineral reserves may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the property is developed, and in the case of mineral reserves, such statements reflect the conclusion based on certain assumptions that the mineral deposit can be economically and legally exploited. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects” or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “estimates” or “intends”, or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements.

Forward-looking statements included or incorporated by reference in this Annual Information Form include, but not limited to, statements with respect to:

- expectations regarding the continuity of mineral deposits;
- anticipated tonnages and grades of the mineral resources and mineral reserves disclosed for the Company's Corani Property;
- the Company's expected development of, and metal production from, the Corani Property;
- the Company’s expectations regarding raising capital, including securing project financing, for development and construction of the Corani Property and/or working capital purposes;
- anticipated production timelines of the Corani Property;
- the reliability of capital and operating cost estimates at the Corani Property;
- expectations regarding environmental or social issues that may affect the exploration or development progress;
- initial capital cost estimates for the Corani Property;

- the formation of joint ventures and/or strategic partnerships with respect to the Company's properties;
- exploration activities and/or plans on the Company's early-stage exploration properties; and
- receipt of payment of the damages award decided in favor of the Company in the Arbitration (as defined herein) in respect of the Santa Ana project and the Company's plans in the event of undue or persistent delay of payment of such award.

Forward-looking statements are subject to a variety of risks and uncertainties, which could cause actual events or results to differ materially from those reflected in the forward-looking statements, including, without limitation:

- risks related to gold, silver, base metal and other commodity price fluctuations;
- risks and uncertainties relating to the interpretation of drill results, and the geology, grade and continuity of mineral deposits;
- risks related to the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses;
- risks related to escalating project capital expense costs;
- risks related to metallurgical characteristics of mineralization contained within the Company's properties not yet being fully determined;
- the possibility that future exploration, development or mining results will not be consistent with the Company's expectations and/or the results of economic studies including feasibility studies;
- mining and development risks, including risks related to accidents, equipment breakdowns, labour disputes or other unanticipated difficulties with or interruptions in production;
- risks related to variance in actual production from those forecasted and/or in feasibility studies;
- risks related to the ability to obtain financing required to develop mining properties or to complete significant technical, environmental or engineering studies;
- the potential for delays in exploration or development activities or the completion of feasibility studies and other geologic reports or studies;
- the uncertainty of profitability based upon the Company's history of losses;
- risks related to foreign exchange fluctuations;
- risks related to environmental regulation and liability;
- risks associated with failure to maintain community acceptance, agreements and permissions (generally referred to as "social licence");
- risks relating to obtaining and maintaining all necessary government permits, approvals and authorizations relating to the continued exploration and development of the Company's projects.
- risks related to the outcome of legal actions, including the Arbitration;
- political and regulatory risks associated with mining and exploration; and
- other risks and uncertainties related to the Company's prospects, properties and business strategy.

These forward-looking statements are based on certain assumptions which the Company believes are reasonable, including that:

- current gold, silver, base metal and other commodity prices will be sustained or improve;
- development of the Company's Corani Property will be viable operationally and economically and proceed as expected;
- any additional financing required by the Company will be available on reasonable terms; and
- the Company will not experience any material accident, labour dispute or failure of plant or equipment.

Some of the important risks and uncertainties that could affect forward-looking statements are described in this Annual Information Form under “Description of the Business – Risk Factors”. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Forward-looking statements are made based on management’s beliefs, estimates and opinions on the date the statements are made, and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, other than as required by applicable laws. Investors are cautioned against attributing undue certainty to forward-looking statements.

### **GLOSSARY OF TECHNICAL TERMS**

In this Annual Information Form, the following technical terms have the following meanings:

<b>“CIM”</b>	Canadian Institute of Mining, Metallurgy and Petroleum.
<b>“Dore”</b>	A compound containing gold and silver metal and various impurities.
<b>“NI 43-101”</b>	National Instrument 43-101 - <i>Standards of Disclosure for Mineral Projects</i> . An instrument developed by the Canadian Securities Administrators that governs public disclosure by mining and mineral exploration issuers. The instrument establishes certain standards for all public disclosure of scientific and technical information concerning mineral projects.
<b>“Qualified Person” or “QP”</b>	Conforms to that definition under NI 43-101 for an individual, among other things: (a) to be an engineer or geoscientist with at least five years’ experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these; (b) with experience relevant to the subject matter of the mineral project and the technical report; and (c) is a member in good standing of a professional association that, among other things, is self-regulatory, has been given authority by statute, admits members based on their qualifications and experience, requires compliance with professional standards of competence and ethics and has disciplinary powers to suspend or expel a member.
<b>SEDAR</b>	The System for Electronic Document Analysis and Retrieval. SEDAR is an online database system used for electronically filing most securities-related information and documents with Canadian securities regulators and authorities. Documents filed on SEDAR are available to the public at <a href="http://www.sedar.com">www.sedar.com</a> .
<b>“tpd”</b>	Tonnes per day. One metric tonne equals 1.10231 short tons.
<b>“TSX-V”</b>	TSX Venture Exchange.

### Conversion Factors

To Convert From	To	Multiply By
Feet	Meters (“m”)	0.305
Meters	Feet	3.281
Miles	Kilometres (“km”)	1.609
Kilometres	Miles	0.6214
Acres	Hectares (“ha”)	0.405
Hectares	Acres	2.471
Grams	Ounces (Troy)	0.03215
Grams/Tonnes	Ounces (Troy)/Short Ton	0.02917
Tonnes (metric)	Pounds	2,205
Tonnes (metric)	Short Tons	1.1023

### Mineral Elements

Ag – Silver

Au – Gold

Pb – Lead

Zn – Zinc

Cu - Copper

### NI 43-101 DEFINITIONS

**“Mineral resource”**  
or **“mineral resource”**

A concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal and industrial minerals in or on the Earth’s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.

**“Measured mineral resource”**

That part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

**“Indicated mineral resource”**

That part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

<b>“Inferred mineral resource”</b>	That part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.
<b>“Mineral reserve”</b>	<p>The economically mineable part of a Measured or Indicated mineral resource demonstrated by at least a preliminary feasibility study. The study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that might occur when the material is mined.</p> <p>Mineral reserves are categorized as proven mineral reserves or probable mineral reserves as follows on the basis of the degree of confidence in the estimate of the quantity and grade of the deposit.</p>
<b>“Proven mineral reserve”</b>	The economically mineable part of a Measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.
<b>“Probable mineral reserve”</b>	The economically mineable part of an Indicated and, in some circumstances, a Measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.
<b>“Preliminary economic assessment” or “scoping study”</b>	A study, other than a pre-feasibility or feasibility study, that includes an economic analysis of the potential viability of mineral resources.
<b>“Pre-feasibility study” or “preliminary feasibility study”</b>	A comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on mining, processing, metallurgical, economic, marketing, legal, environmental, social and governmental considerations and the evaluation of any other relevant factors which are sufficient for a Qualified Person, acting reasonably, to determine if all or part of the mineral resource may be classified as a mineral reserve.
<b>“Feasibility study”</b>	A comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of realistically assumed mining, processing, metallurgical, economic, marketing, legal, environmental, social and governmental considerations together with any other relevant operational factors and detailed financial analysis, that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a pre-feasibility study.

## CORPORATE STRUCTURE

### Name, Address and Incorporation

The legal and commercial name of the Company is “Bear Creek Mining Corporation”. The Company was incorporated under the British Columbia *Company Act* on August 31, 1999 under the name “4271 Investments Ltd.”, and on September 30, 1999 changed its name to “EVEolution Ventures Inc.” and increased its authorized share capital from 1,000,000 common shares without par value to 50,000,000 common shares without par value. On April 11, 2000, the Company obtained a listing on the TSX-V as a capital pool company. On November 14, 2002, the Company continued under the Yukon *Business Corporations Act* and increased its authorized share capital from 50,000,000 common shares without par value to an unlimited number of common shares without par value. On April 22, 2003, the Company completed its “qualifying transaction” on the TSX-V.

On July 16, 2004, the Company continued under the British Columbia *Business Corporations Act* (the “BCBCA”) and in connection therewith adopted its Notice of Articles and Articles.

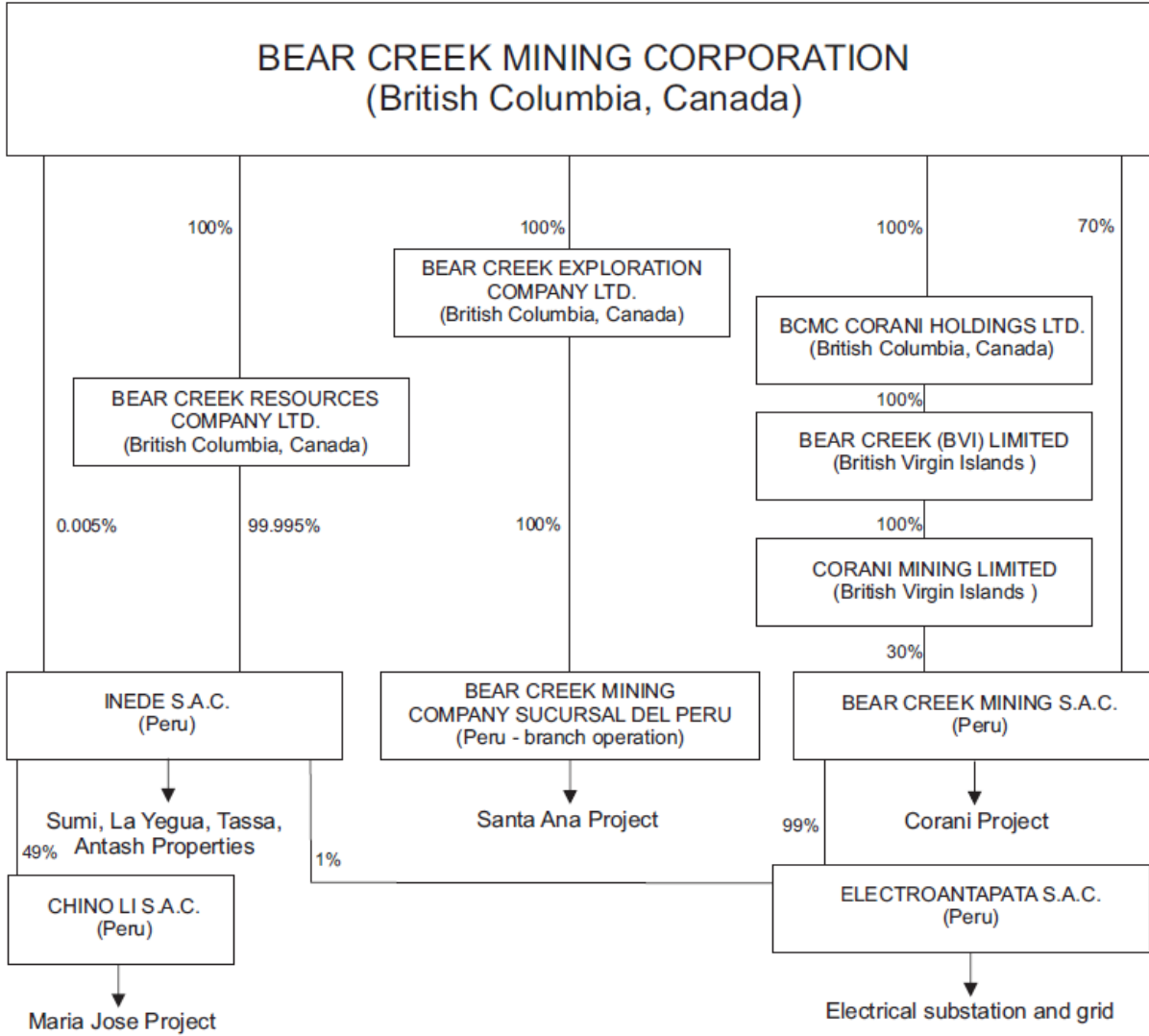
The Company is domiciled in British Columbia, Canada and is a company governed by the BCBCA. The Company’s principal place of business is located at Suite 1400, 400 Burrard Street, Vancouver, British Columbia, V6C 3A6 and its registered and records office is located at 10<sup>th</sup> Floor, 595 Howe Street, Vancouver, British Columbia, V6C 2T5. The Company also has an operations office in Lima, Peru.

### Intercorporate Relationships

The Company holds its exploration and development properties through a series of subsidiaries as shown in the diagram below. Effective April 20, 2006, the Company’s wholly-owned subsidiary, Bear Creek Mining Company (previously EVEolution Ventures (USA) Inc.), continued from the State of Arizona to the Province of British Columbia under the BCBCA and changed its name to “Bear Creek Exploration Company Ltd.” (“BCEMC”), which subsidiary holds a branch office registration in Peru under the name “Bear Creek Mining Company Sucursal del Peru” through which the Santa Ana project is held. The Company additionally has the following wholly-owned (directly or indirectly) subsidiaries: “Bear Creek Resources Company Ltd.” (British Columbia, Canada); “BCMC Corani Holdings Ltd.” (British Columbia, Canada); “Bear Creek (BVI) Limited” (British Virgin Islands); and “Corani Mining Limited” (British Virgin Islands). “Bear Creek Mining S.A.C. (previously “Corani S.A.C.”) (Peru), which holds the Corani Property, is owned as to 30% by Corani Mining Limited and 70% by the Company. Inversiones, Estudios y Desarrollo S.A.C. (“INEDE”) (Peru) is owned as to 99.995% by Bear Creek Resources Company Ltd. and 0.005% by the Company. Electroantapata S.A.C. (Peru), which was registered to build and hold title to an electrical substation and other electrical infrastructure, is owned as to 99% by Bear Creek Mining S.A.C. and 1% by INEDE. Chino Li S.A.C. (Peru), which holds the Maria Jose Prospect, is owned as to 49% by INEDE. The remaining 51% of which is owned by AMS (as defined and further described under “Exploration Properties”). All the Company’s mineral properties in Peru, with the exception of the Corani and Santa Ana Properties (as hereinafter defined) are held by INEDE, which essentially acts as the Company's exploration division.

Unless the context otherwise indicates, references to the term the “Company” or “Bear Creek” in this Annual Information Form include the subsidiaries described above (and shown in the diagram below).





## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History and Significant Acquisitions

Significant events that have occurred since January 1, 2015 relate to the Company's Corani Property and Santa Ana project. Detailed descriptions of the Corani Property and Santa Ana project are provided under the headings "Mineral Projects – Corani Silver-Zinc-Lead Property" and "Mineral Projects – Santa Ana project", below.

#### Corani Property

After initially exploring the Corani Property ("**Corani**", or the "**Corani Property**") under the terms of a Letter of Understanding between the Company and Rio Tinto Mining and Exploration Ltd. ("**Rio Tinto**"), Bear Creek entered into a definitive option agreement (the "**Option Agreement**") with Rio Tinto in March 2007 to acquire a 70% interest in Corani, which agreement was completed in January 2008. In March 2008, the Company entered into a purchase and sale agreement (the "**Purchase Agreement**") to acquire Rio Tinto's remaining 30% interest through a series of staged payments of cash and common shares of the Company. Following a number of revisions, amendments and extensions to the Purchase Agreement, the Company became the 100% owner of the Corani Property in February 2011. As a result of the Purchase Agreement, all of Rio Tinto's rights to claw back or receive royalty payments or success fees were entirely extinguished. A thorough description of the sequence of events, agreements and payments related to the Company's acquisition of the Corani Property is provided in its Annual Information Form dated April 3, 2014, which is available on SEDAR, as are copies of the Option Agreement, Purchase Agreement and subsequent amending agreements.

The Company achieved a number of significant exploration milestones related to the Corani Property between 2005 and 2015, including the completion of over 93,000 meters of drilling, a NI 43-101 resource estimate and preliminary economic assessment in 2008, a pre-feasibility study in 2009, an initial feasibility study in 2011 (the "**2011 Corani Feasibility Study**"), and an updated and optimized feasibility study in 2015 (the "**2015 Corani Feasibility Study**"). The Company additionally completed and filed an Environmental and Social Impact Assessment ("**Corani ESIA**") with the Peruvian Ministry of Energy and Mines (the "**MEM**") in 2012, which was approved in September 2013. Disclosure related to the drilling, and copies of the Technical Reports (as defined in NI 43-101) in respect of the technical studies above are available on the Company's website and SEDAR.

On April 15, 2013, the Company announced it had entered into a Life of Mine ("**LOM**") agreement with the District of Carabaya, five communities surrounding the Corani Property, and ancillary organizations that describes the Company's commitments to invest in community projects over a period of roughly 23 years (representing the anticipated pre-production and production mine life of the Corani operation).

Under the LOM agreement, annual payments of 4 million S/. over the 23-year project life are to be made into a trust designed to fund community projects. The first 4 million S/. payment was triggered, and paid, when the Company obtained the Corani ESIA approval in September 2013 as described above. The second and future installments are contingent upon certain permits being received. The second and future installments are contingent upon certain permits being received. Refer also to "Mineral Projects – Corani Silver-Lead-Zinc Property".

In late 2015, the Company submitted modifications (based on the results of the 2015 Corani Feasibility Study) to its Environmental and Social Impact Assessment ("**ESIA**") originally approved in September 2013, which modifications were approved by the MEM in January 2016.

In November 2016, the Company engaged GMI SA Ingenieros Consultores ("**GMI**"), a company owned by a prominent Peruvian engineering and construction firm, Graña y Montero Group ("**G&M**"), to undertake Phase I Detailed Engineering work at the Corani Property.

In May 2017 the Company signed an agreement (the "**IGV Contract**") with the MEM and ProInversion (an agent for the Government of Peru) that allows the Company to recover, at its discretion and on an

accelerated basis, the 18% Impuesto General a las Ventas (“IGV”) taxes (a Peruvian value added tax) applied to engineering and construction costs associated with future development of the proposed Corani silver-lead-zinc mine in Puno, Peru. The IGV Contract applies to Corani initial capital expenditure costs and covers an approximately three-year development period during which detailed engineering, permitting, construction, commissioning and project ramp-up is expected to occur. The IGV Contract is retroactively applicable to costs incurred as of the application date of November 2016 and allows the Company to request modifications with respect to both expenditure amounts and timelines.

In September 2017 the Company announced the results of GMI’s Corani Phase 1 Detailed Engineering work that commenced in November 2016. The Phase 1 Detailed Engineering incorporates further optimizations and trade-offs to the Corani mine plan described in the 2015 Corani Feasibility Study and specifically, establishes final processing flow sheets and equipment lists, optimizes mine sequencing, and refines capital expenditure (“**CapEx**”) and operational expenditure (“**OpEx**”) cost estimates for the Corani project.

In October 2017 the Company filed a NI 43-101 Technical Report entitled “*NI43-101 Technical Report, Corani Project Detailed Engineering Phase 1 (FEED)*” (the “**2017 Corani Feasibility Study**”) that supports and augments the Phase 1 Detailed Engineering results announced in September 2017. The 2017 Corani Feasibility Study, dated effective September 13, 2017, was prepared on behalf of the Company by Sedgman Chile SpA, with contributions from other mining and engineering consulting firms and is available on the Company’s website and SEDAR. Refer also to “Mineral Projects – Corani Silver-Lead-Zinc Property” for further discussion regarding the 2017 Corani Feasibility Study.

In late 2017 the Company commenced construction of the Antapata electrical substation near the town of Macusani, the nearest sizeable town to the Corani Property, located on the Interoceanic Highway approximately 30 kilometers directly east of Corani (approximately 64 kilometers by road). This substation will eventually be used to direct electricity to a future power line that will supply the Corani project and is being constructed with the capacity necessary to additionally provide a consistent power supply to the residents of Macusani, who currently experience regular electrical power brownouts.

#### Santa Ana project

The Company acquired the Santa Ana project (“**Santa Ana**” or the “**Santa Ana project**”) in 2004. After being granted a Supreme Decree from the Government of Peru in 2007, which authorized the Company, as a foreign company, to acquire the rights to the Santa Ana concessions located within the 50-km international border region of Peru, the Company conducted exploration work on the property, including surface exploration, drilling programs, various economic studies and community relations initiatives, including an ESIA and a feasibility study that was completed in 2011.

In 2014 the Santa Ana project became the subject of an international arbitration. A thorough description of the history of the Santa Ana project is provided below under “Mineral Project – Santa Ana project”.

On February 6, 2014, the Company delivered to the Peruvian Minister of Economy and Finance, a Notice of Intent to Submit a Claim to Arbitration (“**Notice of Intent**”), under the Canada-Peru Free Trade Agreement (“**Canada-Peru FTA**”) in respect of the Santa Ana project, stemming from the issuance of the 2011 Supreme Decree (as defined below), in violation of the Canada-Peru FTA, Peruvian and international law, which extinguished the Company’s rights to operate the Santa Ana project and resulted in significant damages to the Company. As no amicable settlement was reached in the six-month period following the filing of the Notice of Intent, on August 11, 2014 the Company submitted a Request for Arbitration (the “**Arbitration**”) to the International Center for Settlement of Investment Disputes (“**ICSID**”) against the Republic of Peru pursuant to the terms of the Canada-Peru FTA. ICSID agreed to hear the Company’s Arbitration claim and assembled an Arbitration tribunal (the “**Tribunal**”), which held an initial meeting in Washington D.C. in January 2015 to determine an agenda for submissions and hearings.

The Company submitted its Memorial on the Merits (the “**Memorial**”, an initial statement of claim) on May 29, 2015, wherein factual and legal arguments supporting its claims against the Government of Peru

were detailed. The Memorial was followed by the following submissions and events in respect of the Arbitration:

- On October 6, 2015, the Government of Peru filed its Counter-Memorial on the Merits and Memorial on Jurisdiction.
- On January 8, 2016, the Company submitted its Reply on the Merits and a Counter-Memorial on Jurisdiction.
- On April 13, 2016, the Government of Peru submitted its Rejoinder on the Merits and a Reply on Jurisdiction.
- On May 26, 2016, the Company filed a Rejoinder on Jurisdiction.
- On June 9, 2016, the Government of Canada filed a Non-Disputing Party Submission, providing its views on certain questions of interpretation of the Canada-Peru FTA.
- On June 9, 2016, the *Asociación de Derechos Humanos y Medio Ambiente-Puno* (“**DHUMA**”), Mr. Carlos López-Hurtado, and the Columbia Center on Sustainable Investment (“**CCSI**”) all filed applications to file written submissions as “other persons” pursuant to the Canada-Peru FTA, together with the submissions themselves.
- On July 7, 2016, the Company and the Government of Peru each submitted their comments to the “other person” applications.
- On July 21, 2016, the Tribunal decided to accept the submission filed by DHUMA and Mr. López-Hurtado, and deny the submission filed by CCSI.
- On August 18, 2016, the Company and the Government of Peru each submitted their comments to the Government of Canada’s Non-Disputing Party Submission, and to the DHUMA/López-Hurtado “other person” submission.
- Hearings on jurisdiction and the merits before the Arbitration tribunal were held at ICSID headquarters at the World Bank in Washington D.C. from September 7 to 14, 2016.
- On December 21, 2016, the Company and the Government of Peru each submitted post-hearing briefs.
- On February 15, 2017, the Company and the Government of Peru each submitted a reply to the post-hearing briefs filed on December 21, 2016.
- On March 29, 2017, the Company and the Government of Peru each submitted a Statement on Costs, setting forth in a summary fashion their Arbitration-related costs and expenses.
- On April 14, 2017, the Company and the Government of Peru each submitted a Submission on Costs, addressing the basis on which costs should be allocated. The Company requested that it be reimbursed for the entirety of its costs.

The aforementioned filings are available on ICSID’s website at: <https://icsid.worldbank.org/en/Pages/cases/casedetail.aspx?CaseNo=ARB/14/21>.

On September 18, 2017 the Tribunal officially closed the Arbitration proceedings and on November 30, 2017, rendered an award (the “**Award**”) of approximately US\$31.0 million in favor of the Company, which Award includes interest (at a rate of 5%, compounded quarterly) and arbitration costs (including attorneys’ fees). As of the date of this AIF, the Award has not yet been received by the Company.

## Exploration Properties

### *Maria Jose Prospect*

In March 2013, the Company entered into an option agreement with a private Peruvian third party to acquire 100% of the 3,500 hectare Maria Jose property (the “**Maria Jose Prospect**”) by making escalating payments totaling \$4 million over 4 years. An additional payment of \$2 million must be made if a deposit greater than 1 million ounces of gold in the Mineral resources category is defined in a NI 43-101 technical report. There are no royalty provisions under the agreement.

In early 2015, the Company signed an option and joint venture agreement with Analytica Mineral Services SAC (“**AMS**”), a Peruvian tunneling contractor and gold producer, to explore and develop the Maria Jose gold-quartz vein system. AMS is expected to complete 2,000 meters of tunneling and cross-cuts in the vein systems, at its sole cost, in order to earn a 51% undivided interest in the mineral concessions. The tunneling work has not commenced to date while AMS continues to await their receipt of the necessary permits. Upon AMS earning its 51% interest, the two parties will form a joint venture agreement with standard terms. The primary purpose of this agreement was to reduce Bear Creek's exploration costs while maintaining a meaningful ownership interest in the prospect while ensuring it is managed by a reputable operating partner.

Under the 2013 option agreement (subsequently renegotiated and now effectively exercised) with a private Peruvian third party, Bear Creek Mining was to acquire 100% of the Maria Jose Prospect by making escalating payments totaling \$4 million over four years. Instead, in December 2015, Bear Creek and AMS made a negotiated purchase payment of \$1.2 million to the underlying owner, thereby acquiring a 100% interest in the company holding the mineral concessions. As a result, the Company and AMS now jointly own a 100% interest in the Maria Jose concessions. There are no underlying royalties; however, under the purchase agreement, the Company and AMS are obligated to pay an additional \$2.1 million on commencement of commercial production. This additional payment has no time limits.

AMS has secured surface rights agreements with the local community and has constructed an access road to the planned tunnel portal sites and built storage and camp facilities. To date, AMS has applied for the final permits from the regional government of Ancash required to conduct tunneling activities; however, due to various administrative issues, the granting of the permits remains delayed. No technical issues have been raised by the regulators and the permits are expected to be approved in the first half of 2018 upon which the tunneling program will commence. The planned tunneling program to be undertaken by AMS is designed to explore for high-grade gold mineralization in the veins and establish resource potential.

Refer to “Mineral Projects – Other Projects – Maria Jose Prospect” below. In addition, refer to “Mineral Projects – Other Projects – Tassa Silver–Gold Prospect”, “Mineral Projects – Other Projects – Sumi Gold Prospect” and “Mineral Projects – Other Projects – Generative Exploration” for discussion regarding the Company's other exploration projects.

### Corporate Events

In July 2016, the Company entered into an agreement with a syndicate of underwriters (the “**Underwriters**”) led by Paradigm Capital Inc. and BMO Capital Markets, under which the Underwriters agreed to buy on a bought deal basis by way of a short form prospectus, 8,667,000 common shares at a price of CDN\$3.00 per common share for gross proceeds of CDN\$26,001,000 (the “**Offering**”). In addition, the Company granted the Underwriters an option, exercisable at the issue price for a period of 30 days following the closing of the Offering, to purchase up to an additional 15% of the offering to cover over-allotments, if any. The Offering closed on July 26, 2016. Including the proceeds from the exercise of the over-allotment option, the total gross proceeds of the Offering were CDN\$29,901,150 with a total of 9,967,500 common shares being issued. The Underwriters received a cash fee equal to 5% of the gross proceeds of the Offering.

In September 2017, the Company announced that Andrew Swarthout, who co-founded Bear Creek in 2003 and was an integral contributor to the acquisition, discovery and development of the Corani deposit and the architect of the Company's exceptional technical and management teams, had elected to step down from

his position as President and Chief Executive Officer (“CEO”). With completion of the Phase 1 Detailed Engineering, Bear Creek’s evolution toward becoming an emerging producer is progressing. Mr. Swarthout’s decision to retire from daily management of the Company was made concurrently, in order that this corporate transition be steered at the executive level by an experienced and successful mine builder. Effective October 1, 2017, Mr. Swarthout was appointed Executive Chairman of the Company and Mr. Anthony Hawkshaw was appointed to the position of President and CEO and as a director of the Company.

Mr. Hawkshaw has over 30 years’ global experience in the mining sector. He was a founding shareholder, director and CFO of Rio Alto Mining from 2007 to 2014. In addition to his track record of successfully executing the transformation of a mineral exploration company into a mid-tier producer, Mr. Hawkshaw has arranged numerous debt, equity and convertible debt financings with institutional investors, commercial banks and multilateral lending agencies, and has experience in the concentrate off-take and metals trading markets.

Subsequent to the fiscal year ended December 31, 2017, the Company hired two additional full-time senior officers, both of whom are based at the Company’s office in Lima, Peru.

Mr. Paul Tweddle was appointed Chief Financial Officer (“CFO”), effective March 1, 2018. Mr. Tweddle was engaged on a full-time basis at the Company’s offices in Lima, Peru, and replaces Mr. Steven Krause who served as the Company’s CFO on a part-time basis since 2011. Mr. Tweddle has extensive knowledge and experience from various sectors of the mining and metals industry. He meaningfully contributed to the growth of Rio Alto Mining as its VP of Finance and Commercial from the La Arena mine construction stage through 2015, where he also played a key role in the Shahuindo mine acquisition and financing. He has also worked as a physical base and precious metals trader, a risk manager at a copper semi manufacturer, and a trader of futures and options on both precious and base metals. Mr. Tweddle holds an MBA from the Yale School of Management and a Bachelors’ Degree in Business Administration from the University of Washington, with a major in Accounting and Finance.

Mr. Eric Caba was appointed Vice President, Project Development effective March 15, 2018 and was engaged on a full-time basis at the Company’s offices in Lima, Peru. Mr. Caba has over 25 years’ experience in the mining industry across the Americas and Europe. Most recently he served as the Vice President, South America Business Unit for Hudbay Minerals Inc. where he played a key role in the design and development of the business processes and operational preparations, focusing on business relationships, productivity, efficiency and cost control, and coordinated implementation of these processes and preparations through all levels and stages of the Constancia mine construction. Mr. Caba holds a Bachelor of Science degree in Metallurgical Engineering from the University of Idaho.

## **DESCRIPTION OF THE BUSINESS**

### **General**

The Company is a British Columbia-based mineral resource corporation engaged in the acquisition, exploration and development of mineral properties principally located in Peru with the objective of identifying mineralized deposits economically worthy of subsequent development and mining or sale for the creation of value for shareholders. Over the past three years the Company has primarily focused its efforts on the advancement of the Corani Property, which is now at the early development/advanced engineering stage. Early-stage exploration initiatives have been largely curtailed for the past several years although the Company regularly evaluates potential new precious metal exploration opportunities in Peru.

The Company’s principal exploration/development property is the Corani Property. The Company’s Santa Ana project was the subject of the Arbitration, as further described herein. Both the Corani Property and the Santa Ana project are located in Peru. Feasibility studies have been completed for both the Corani Property (most recently in 2017) and Santa Ana project (in 2011). There has been, however, no activity on the Santa Ana project since June 2011, as described above and the Company is not contemplating any

further exploration, development or project financing scenarios for the Santa Ana project. See also “Three Year History and Significant Acquisitions” and “Mineral Projects – Santa Ana project”.

As at the end of the Company’s most recently completed financial year, the Company employed a total of 55 full-time employees at its offices in Vancouver, British Columbia and Lima, Peru, of whom 9 are employed on a contract basis.

The business of mineral exploration, development and production is a competitive business. The Company competes with numerous other companies and individuals in the search for and the acquisition, development and operation of attractive mineral properties. The success of the Company will depend not only on its ability to operate and develop its properties but also on its ability to select and acquire suitable properties or prospects for development or mineral exploration. See “Risk Factors” below.

The Company’s operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, releases or emissions of various substances related to mining industry operations, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving, which means stricter standards and enforcement, fines and penalties for non-compliance are becoming more stringent. Environmental assessment of proposed projects carries a heightened degree of responsibility for companies and directors, officers and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company’s operations, including its capital expenditures and competitive position. See also “Risk Factors” and “Mineral Projects – Corani Silver-Lead-Zinc Property – Environmental and Social Considerations” below.

### **Information Regarding Peru**

#### **Overview**

Peru is a democratic republic in South America, bordered by Ecuador, Colombia, Brazil, Bolivia, Chile, and the Pacific Ocean. It is the third-largest country in South America by area. The land mass encompasses arid coastal plains, tropical forests and mountainous terrain. Peruvian territory once belonged to the Incan Empire and even older civilizations that became part of the Spanish Empire in the 16<sup>th</sup> century. Peru achieved independence in 1821, but its post-colonial era was marked by political and economic instability under both democratic and dictatorial governments. In the 20<sup>th</sup> century, political debate was highly polarized between left-wing and right-wing ideologies, resulting in policies that shifted between socialism and capitalism. State intervention in the economy was frequent, along with controls on prices, exchange rates, local and foreign investment, and trade.

Peru is the fifth most populous country in Latin America (after Brazil, Colombia, Argentina and Venezuela). The population of over 30 million is multi-ethnic, but the main spoken language is Spanish.

#### **Current Central Government**

Peru is a multi-party democratic republic governed by an elected president and congress. Peru is divided into 25 regions, also referred to as “departments”, subdivided into provinces which are made up of districts. Peru’s constitution, approved by a national referendum in 1993, increased the president’s powers and reduced Congress to 130 members from 240 under the previous 1979 constitution. The President is elected for a five-year term and can only seek re-election after standing down at least one full term.

On June 5, 2016, Pedro Pablo Kuczynski (who goes by the acronym “PPK”) was elected as the President of Peru. During 2017 PPK became embroiled in the heavily-reported Odebrecht corruption scandal and on March 21, 2018, the day before Peru’s Congress was scheduled to hold a vote on impeaching him, PPK resigned from the presidency. On March 23, 2018, Martin Vizcarra was sworn in as Peru’s 67<sup>th</sup> President. Mr. Vizcarra is an engineer and politician who, immediately before PPK’s resignation, was serving as

Peru's ambassador to Canada and who previously served as governor of the Moquegua department and the Minister of Transport and Communications of Peru.

### Economy

According to World Bank information dated April 17, 2017 (<http://www.worldbank.org/en/country/peru>):

“Over the past decade, Peru has been one of the region's fastest-growing economies, with an average growth rate 5.9 percent in a context of low inflation (averaging 2.9 percent). A favorable external environment, prudent macroeconomic policies and structural reforms in different areas created a scenario of high growth and low inflation. The strong growth in employment and income have sharply reduced poverty rates. Moderate poverty (US\$4 a day 2005 PPP) fell from 45.5 percent in 2005 to 19.3 percent in 2015. This is equivalent to 6.5 million people getting out of poverty during this period. Extreme poverty (US\$2.5 a day 2005 PPP) declined from 27.6 percent to 9 percent over the same period.

GDP growth continued to accelerate in 2016 on the back of higher mining export volumes as several large mining projects entered into production and/or reached full capacity. The economy is estimated to have grown above potential at 3.9 percent in 2016 due to that temporary peak in mining production. Higher growth in mining export volumes was partially attenuated by lower dynamism in domestic demand, as public spending receded and investment continued to decline. The current account deficit declined significantly from 4.9 to 2.8 percent of GDP in 2016, owing to the surge in export growth and lower imports. Net international reserves stood at the comfortable level of 32 percent of GDP as of February 2017. The average headline inflation amounted to 3.6 percent in 2016, above the upper limit of its target range for a third straight year, as supply-side shocks on food prices offset weak domestic demand. Peru faced a moderate fiscal deficit of 2.6 percent in 2016. The higher deficit stems from a decline in revenues that came with the economic slowdown, the 2014 tax reform, and an increase in recurrent expenditures in recent years, especially for goods and services and wages. However, at 23.8 (8.5) percent of GDP, Peru's gross (net) public debt remains one of the lowest in the region.

For 2017, GDP is expected to slow slightly due to the leveling off in the mining sector and still weak private investment- the latter affected by adverse global conditions and the uncertainty related to corruption scandals in projects signed in past years.

Fiscal policy remains prudent, even as deficits have increased over the last years. The higher deficit stems from a decline in revenues that came with the economic slowdown, the 2014 tax reform and increases in recurrent expenditures in recent years, especially for goods and services, and wages. In the context of supporting the economy as mining production levels off, the authorities are expected to more aggressively increase public investment in 2017, thus maintaining or marginally increasing the 2016 deficit level. The Government expects to phase out current fiscal deficits gradually over the medium term on the back of expenditure measures and plans to improve tax collection.

Growth projections are vulnerable to external shocks in commodities prices, a further deceleration of China's growth, capital markets volatility, the speed of monetary policy tightening in the United States. The economy is also exposed to natural risks, including recurrent climatic phenomena such as El Niño. Raising growth requires structural and fiscal reforms to unleash productivity, reduce informality, and improve efficiency of public services.”

Peru's official monetary unit is the Sol. It is not subject to any exchange restrictions and has been freely floating since March 27, 1991.

Peru signed free trade agreements with both the United States (ratified in December 2007 by US Congress) and Canada (signed in January 2008).



### Mining and Mineral Exploration

Peru is considered one of the top ten richest mineral countries in the world. It is the world's third largest producer of silver, copper and zinc and it is also a major producer of gold, lead and other minerals. Peru has 13% of the world's copper reserves, 4% of its gold, 22% of its silver, 7.6% of zinc, 9% of lead and 6% of tin reserves, according to the most recent data of the Peru's Ministry of Energy and Mines. Mineral exports have consistently accounted for the most significant portion of Peru's export revenue, comprising approximately 55%.

#### Mining Profit Royalties

The Peruvian mining tax system was revised during the latter part of 2011 by the Humala administration. The tax and royalty provisions are largely considered to be on a level playing field as other Latin American governments. Bear Creek is subject to the revised system. The two amended laws applicable to the Company may be summarized as:

#### *Special Mining Tax ("SMT"):*

The SMT is applied on operating mining income based on a sliding scale with progressive marginal rates ranging from 2% to 8.40%. The tax liability would be determined and payable on a quarterly basis. This tax is calculated on the operating profit based on the income from the sale of mineral resources.

#### *Mining Royalty Based on Operating Income ("MR"):*

The MR revises the mining royalty enacted in 2004 that required a payment ranging from 1% to 3% of the commercial sales value of mineral resources. The MR is applied on a company's operating income, rather than sales, and is payable quarterly (the previous royalty was payable monthly). The amount payable is determined on a sliding scale with marginal rates ranging from 1% to 12% applied to operating margin. As a company's operating margin increases the marginal rate of the royalty increases. If a company has a zero or negative operating margin, a minimum royalty of 1% of revenue is payable. The basis of the royalty (operating income) and the effective royalty rate would be calculated by following the same rules used to determine the tax liability under the SMT.

### Risk Factors

Potential investors in the Company should be aware that investing in its securities involves a high degree of risk. The risk factors outlined in this section and elsewhere in this Annual Information Form should be carefully considered by investors when evaluating an investment in the Company. These risk factors list some, but not all, of the risks and uncertainties that may have a material adverse effect on the Company's securities. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial may also impair the Company's business operations. If any of the following risks materialize, the Company's business, results of operations, financial condition and cash flows and the market price of its securities could be materially and adversely affected.

#### *The Company has a history of net losses and the availability of additional financing is uncertain*

The Company has received no revenue to date from the exploration activities on its properties. During the year ended December 31, 2017, the Company would have incurred a loss of \$13.0 million were it not for the Award of \$31.0 million, as described under "Three Year History and Significant Acquisitions - Santa Ana project", above and "Mineral Project - Santa Ana project" below. The Company incurred losses of \$11.3 million for the year ended December 31, 2016 and \$14.8 million for the year ended December 31, 2015. As of December 31, 2017, the Company has an accumulated deficit of \$192.7 million.

The Corani Property will require significant initial capital to construct (See "Mineral Projects - Corani Silver-Lead-Zinc Property" below) that will likely require the involvement of multiple capital sources and participants. The Company has conducted preliminary investigations as to potential financing sources and the level of financing each component may reasonably be expected to contribute. However, the actual availability of project financing, the involvement of any or all of the potential participant groups and their

level of participation, and the details and terms of any eventual project financing scenario for the Corani Property will be dependent on numerous conditions, including but not limited to general market conditions, metal prices, and other economic considerations at the time of a production decision. While the Company is confident that project financing for development and construction of the Corani Property can be arranged, such financing is highly dependent on factors outside of the Company's control and there can be no assurance that the Company will be successful in arranging project financing at all, or if so, under acceptable terms and conditions.

The \$31.0 million Santa Ana Award is binding upon the parties and the Company anticipates it will be paid by the Government of Peru in 2018. As of the date of this AIF, the Award has not yet been received by the Company and there is no certainty as to when the Award will be paid. The Company will consider enforcement proceedings available to it under the Canada-Peru Free Trade Agreement and ICSID Convention rules in the event of undue or persistent delay in payment of the Award. Should these enforcement proceedings be necessary, they will involve considerable time and cost.

A decision to place the Corani Property into production requires, among other things, completion of detailed engineering plans, obtaining necessary permits, and sufficient financing. Even if the Company does undertake development activity on any of its properties, there is no certainty that the Company will produce revenue, operate profitably or provide a return on investment in the future.

The Company had working capital of approximately \$49.4 million as at December 31, 2017 and no source of revenue and will require significant cash and/or alternative financing arrangements in order to develop its assets and meet its ongoing general and administrative costs and exploration commitments and to maintain its mineral property interests, which may require working capital and/or project financing in the future. There can be no assurance that such financing will be available on reasonable terms, if at all, and if available, may be dilutive to existing shareholders.

*There are risks associated with the exploration of, development of, and production from mineral properties*

The business of exploration for minerals involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. There is no assurance that the exploration programs on the Company's current or future mineral properties will result in the discovery of new resources or lead to the development of a commercially viable orebody.

Development of any of the Company's properties are subject to numerous risks, including, but not limited to, delays in obtaining equipment, material and services essential to developing the projects in a timely manner; changes in environmental or other government regulations; currency exchange rates; labour shortages; and fluctuation in metal prices. Furthermore, the economic feasibility of developing a mineral project is based on many factors such as estimation of mineral reserves, tonnage and grade, anticipated metallurgical recoveries, environmental considerations and permitting, future metal prices and anticipated capital and operating costs of these projects, and it is possible that actual capital and operating costs and economic returns will differ significantly from those estimated for a project prior to production. The Company's mineral properties have no operating history upon which estimates of future projection and cash operating costs can be based. Estimates of Mineral resources, Proven and Probable Mineral reserves and cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques. The results of feasibility studies that derive estimates of capital and operating costs based upon the quantity, grade and configuration of Mineral reserves as well as the expected recovery rates of metals from the mineralized material, are subject to change. As a result, it is possible that actual capital and operating costs and economic returns will differ significantly from those currently estimated for a project prior to development or operation. The remoteness and restrictions on access of certain of the properties in which the Company has an interest could have an adverse effect on profitability in that infrastructure costs would be higher. There are also physical risks to the exploration personnel working in the rugged terrain of the Peruvian backcountry, often in poor climate conditions, which can be abated through safety training, adherence to high safety standards and the use of modern communication technologies.

With all mineral operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in laboratory conditions. Establishment of Mineral reserves and development of a mineral property does not assure a profit on the investment or recovery of costs. In addition, extraction hazards or environmental damage could greatly increase the cost of operations, and various operating conditions may adversely affect the production from mineral properties. These conditions include delays in obtaining governmental approvals or consents, insufficient transportation capacity or other geological, geotechnical and mechanical conditions. While diligent supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays from normal operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

*There is uncertainty related to estimates of Mineral resources and Mineral reserves*

There is a degree of uncertainty attributable to the calculation of Mineral resources and Mineral reserves, which must be considered only estimates of mineralization until an ore body is actually mined and processed. The Mineral resources and Mineral reserves disclosed under “Mineral Projects – Corani Silver-Lead-Zinc Property” are estimates only, and no assurance can be given, if the Corani Property achieves commercial production, that the tonnages and grades anticipated by these estimates will be achieved or that the indicated level of recovery will be realized. Any material change in the quantity of Mineral reserves, Mineral resources, grades and recoveries may affect the economic viability of the Company’s properties.

Market fluctuations and the prices of metals may render Mineral reserves uneconomic. Moreover, short-term operating factors relating to the mineral deposits, such as the need for orderly development of the deposits or the processing of new or different grades of ore, may cause any mining operation to be unprofitable in any particular accounting period.

*Projects may not advance or achieve production if key permits are not obtained or retained*

The advancement of mineral properties through exploration to commercial operation normally requires securing and maintaining key permits and/or licences (collectively, the “permits”) from regulatory or governmental authorities. While the Company puts its best efforts into securing the permits necessary to advance its properties (where warranted) according to the policies and guidelines applicable to each permit, approval of permits rests solely with the governing agency and is outside of the Company’s control. There can be no guarantee that the Company will succeed in obtaining the permits necessary to advance its projects, and a failure to obtain necessary permits or retain permits that have been granted may result in an inability to realize any benefit from its exploration or development activities on its properties.

*Permits received are subject to expiry*

Permits granted by the jurisdictions in which the Company operates are typically issued with an expiry date requiring the Company to undertake certain activities within a given time frame in order for the permit to remain valid. While the Company makes every attempt to satisfy the terms and conditions of the permits it has been granted, unforeseen circumstances may prevent it from doing so, and permits received may expire. The ESIA granted to the Company in respect of its Corani Property remains active so long as the Company commences construction activities (which may include early works projects) prior to its expiry date in September 2018.

*There are risks associated with failing to acquire or maintain “social licence” on the Company’s Mineral properties*

“Social licence” does not refer to a specific permit or licence but rather is a broad term used to describe community acceptance of the plans and activities related to exploration, development or operations on a mineral project. Acquiring and then maintaining a social licence for mineral exploration activities or mine development and operation is commonly accepted to be a necessary component of corporate social responsibility, without which it can be extremely difficult if not impossible to advance a mineral exploration project, secure necessary permits or arrange project financing. The Company places a high priority on, and dedicates considerable efforts toward, its community relationships and responsibilities by treating local

communities with the respect they deserve as inhabitants of its mineral project areas, by adopting a partnership approach to sustainable community support initiatives, by providing open, honest and transparent information about its activities and plans, by creating labour opportunities where feasible, and by seeking opportunities to assist local communities with their self-identified concerns. As a result, the Company has established strong relationships with the communities surrounding the Corani Property.

The Company has entered into a LOM agreement in relation to the Corani Property, which provides for certain commitments to invest in local community projects as described under “General Development of the Business – Three Year History and Significant Acquisitions”.

Despite its best efforts, there are factors outside of the Company’s control that may affect the Company’s efforts to establish or maintain social licence, including compliance with the terms of the LOM agreement or otherwise, at any of its projects, including national or local changes in sentiment toward mining, evolving social concerns, changing economic conditions and challenges, and the influence of third party opposition toward mining on local support. There can be no guarantee that social licence can be earned by the Company or if established, that social licence can be maintained in the long term and without strong community support, the ability to secure necessary permits, obtain project financing, and/or move a project into development or operation may be compromised or precluded. The existence or occurrence of one or more of the following circumstances or events could have a material adverse impact on the Company’s ability to maintain social licence, which could have a material adverse impact on the Company’s business prospects, results of operations and financial condition: (i) disagreements with parties to social licence arrangements, including the LOM agreement (ii) inability of the Company meet its obligations to parties or third parties under such arrangements and (iii) disputes or litigation between the Company and such parties or third parties.

Additionally, the Company’s properties may be located in areas presently or previously inhabited or used by indigenous peoples and may be affected by evolving regulations regarding the rights of indigenous peoples. The Company’s current or future operations are subject to a risk that one or more groups of indigenous people may oppose continued operation, further development, or new development on those projects or operations on which the Company holds an interest. Such opposition may be directed through legal or administrative proceedings or protests, roadblocks or other forms of public expression against the Company or the owner/operators’ activities and may require the modification of, or preclude operation or development of projects, or may require the entering into of agreements with indigenous people.

*Changes to environmental regulations may adversely affect development of a mineral property*

All phases of the Company’s operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is subject to change, which may result in stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that any future changes in environmental regulation will not adversely affect the Company’s operations. The cost of compliance with changes in government regulations has the potential to reduce the profitability of future operations. Environmental hazards that may have been caused by previous owners or operators may exist on the Company’s mineral properties but are unknown to the Company.

*The Company’s business activities in Peru are subject to potential political, social and economic instability*

The principal mineral property interests of the Company are located exclusively in the Republic of Peru. Regardless of Peru’s progress in recent decades in restructuring its political institutions and revitalizing its economy, the country has a history of political and economic instability under both democratically elected and dictatorial governments. The Company believes that political and social conditions in Peru are currently stable and conducive to conducting business; however, the Company’s current and future mineral exploration, development and mining activities could be affected by adverse political, social or economic developments. Adverse developments could include: widespread civil unrest and rebellion; the imposition

of unfavourable government regulations on foreign investment, production and extraction, prices, exports, income taxes, environmental compliance or worker safety; or the expropriation of property.

*Metal price volatility may affect the economic viability and potential profitability of the Company's mineral properties*

Factors beyond the control of the Company may affect the marketability of any ore or minerals discovered at, and extracted from, the Company's properties. Metal prices are subject to fluctuations and are affected by numerous factors beyond the Company's control including international economic and political trends, financial institution and central bank sales, inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new and improved extraction and production methods. Fluctuations and short- and long-term trends in metal prices can adversely affect both the economic viability and potential profitability of the Company's mineral properties.

*The price of the Company's common shares may be affected by factors unrelated to its operations*

The Company's common shares are listed on the TSX-V. The price of the Company's common shares is likely to be significantly affected by short-term changes in silver and gold prices or in its financial condition or results of operations as reflected in its quarterly earnings reports. Other factors unrelated to the Company's performance that may have an effect on the price of the Company's shares include the following: the decision by any of the Company's large institutional shareholders to divest its shareholding of the Company; a reduction in analytical coverage by investment banks with research capabilities; a drop in trading volume and general market interest in the Company's securities may adversely affect an investor's ability to liquidate an investment and consequently an investor's interest in acquiring a significant stake in the Company; a failure of the Company to meet the reporting and other obligations under relevant securities laws or imposed by the TSX-V could result in a delisting of the Company's common shares; and a substantial decline in the price of the common shares that persists for a significant period of time could cause the common shares to be delisted from the TSX-V, further reducing market liquidity.

As a result of any of these factors, the market price of its common shares at any given point in time may not accurately reflect the long-term value of the Company's assets. Securities class action litigation can be brought against companies following periods of volatility in the market price of their securities, which could result in substantial costs and damages and divert management's attention and resources.

*Global economic conditions may affect the Company's ability to advance its properties*

Many industries, including mining, are affected by global market conditions, and negative trends in global economic conditions, including but not limited to interest rates, consumer spending, employment rates, business conditions, inflation, energy costs, debt levels and credit availability may adversely affect the Company's ability to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Company, which could affect the Company's ability to advance its mineral projects and affect the trading price of the Company's shares in an adverse manner.

*Title to the Company's assets may be challenged*

Although title to its properties has been reviewed by or on behalf of the Company, no assurances can be given that there are no title defects affecting the Company's properties. Title insurance generally is not available for mining claims in Peru, and the Company's ability to ensure that it has obtained secure claim to individual mineral properties may be severely constrained. The Company has not conducted surveys of all of the claims in which it holds direct or indirect interests; therefore, the precise area and location of such claims may be in doubt. Accordingly, the properties may be subject to prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects. In addition, the Company may be unable to conduct work on the properties as permitted or to enforce its rights with respect to its properties.

*Seismic activity may impact the Company's projects*

Western Peru is located at the intersection of three geologic plates which are actively colliding, producing thrust faults in the near-surface earth's crust. These thrusts cause energy to be released which may cause earthquakes and tsunamis which are sometimes sufficient to produce significant damage to property and infrastructure. Normally, larger magnitude earthquakes are focused along the coast, far from mining centers, but there is no certainty that a seismic event could not cause physical damage to any of the Company's properties or significantly impact access to its projects.

*Currency and exchange rate fluctuations could impact the Company's financial condition*

Operations in Peru, the United States and Canada are subject to foreign currency exchange fluctuations. With respect to Peruvian currency, the Company transfers funds to its Peruvian branch on an as-needed basis to avoid significant exposure to currency fluctuations. With respect to Canada, the Company raises its funds through equity issuances which are priced in Canadian dollars, and the majority of the Company's costs are denominated in United States dollars and Peruvian soles. The Company may suffer losses due to adverse foreign currency fluctuations.

*There are risks associated with joint venture arrangements*

The Company's interests in several of its earlier-stage exploration properties may, in certain circumstances, pursuant to option agreements currently in place, become subject to the risks normally associated with the conduct of joint ventures. In the event that any of the Company's properties become subject to a joint venture, the existence or occurrence of one or more of the following circumstances and events could have a material adverse impact on the Company's profitability or the viability of its interests held through joint ventures, which could have a material adverse impact on the Company's business prospects, results of operations and financial condition: (i) disagreements with joint venture partners on how to conduct exploration; (ii) inability of joint venture partners to meet their obligations to the joint venture or third parties; and (iii) disputes or litigation between joint venture partners regarding budgets, development activities, reporting requirements and other joint venture matters.

*The Company may be reliant on third parties*

The Company's rights to acquire an interest in certain resource properties may have been granted by third parties who themselves hold only a lease, an option, or an application for rights pending before the Peruvian MEM to acquire such properties. If such persons fail to fulfill their obligations, the Company could lose its interest in the property and may have no meaningful recourse, as it does not have any direct contractual arrangements with the underlying property holders. Where the Company's interests in resource properties are managed or operated by third parties, the Company's interests may be adversely affected in the event such third parties mismanage the operations being carried out on such properties.

*There are risks related to a failure to comply with statutory and regulatory requirements*

The current and future operations of the Company, from exploration through development activities and commercial production, if any, are and will be governed by applicable laws and regulations governing mineral claims acquisition, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in exploration activities and in the development and operation of mines and related facilities, generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. The Company or its joint venture partners, as applicable, have received all necessary permits for the exploration work presently being conducted on its projects. There can be no assurance that all permits which the Company may require for future exploration, construction of mining facilities and conduct of mining operations, if any, will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project which the Company may undertake.

Failure to comply with applicable laws, regulations and permits may result in enforcement actions, including the forfeiture of claims, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its mineral exploration activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits. The Company's environmental liability insurance is limited and may not provide adequate coverage for possible environmental claims. See "Insurance Risk", below.

Existing and possible future laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or require abandonment or delays in exploration.

*It may not be possible to effect service of process on some of the Company's Directors*

Since certain of the Company's directors live outside of Canada, it may not be possible to effect service of process on them. Furthermore, since all or a substantial portion of the assets of non-Canadian directors are located outside Canada, there may be difficulties in enforcing judgments against them obtained in Canadian courts. Similarly, essentially all of the Company's assets are located outside Canada and there may be difficulties in enforcing judgments obtained in Canadian courts.

*The Company's success is tied to management's efforts and abilities*

The success of the operations and activities of the Company is dependent to a significant extent on the efforts and abilities of its management team. See "Directors and Officers" for details of the Company's current management. Investors must be willing to rely to a significant extent on the discretion and judgment of the Company's management team. The Company does not maintain key employee insurance on any of its employees. The Company depends on key personnel and cannot provide assurance that it will be able to retain such personnel. Failure to retain such key personnel could have a material adverse effect on the Company's business and financial condition.

*There may be conflicts of interest*

The Company's directors and officers may serve as directors or officers of other resource companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms in accordance with the BCBCA. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time. See "Directors and Officers".

*There may be competition for assets*

Significant and increasing competition exists for mineral deposits in the jurisdictions in which the Company conducts operations. As a result of this competition, much of which is with large, established mining companies with substantially greater financial and technical resources than the Company, the Company may be unable to acquire additional attractive mining claims or financing on terms it considers acceptable.

The Company also competes with other mining companies in the recruitment and retention of qualified employees.

*Insurance may not be available to cover the gamut of risks associated with mineral exploration, development and mining*

The mining industry is subject to significant risks that could result in damage to or destruction of property and facilities, personal injury or death, environmental damage and pollution, delays in production, expropriation of assets and loss of title to mining claims. No assurance can be given that insurance to cover the risks to which the Company's activities are subject will be available at all or at commercially reasonable premiums. The Company currently maintains insurance within ranges of coverage that it believes to be consistent with industry practice for companies of a similar stage of development. The Company carries liability insurance with respect to its mineral exploration operations which includes a form of environmental liability insurance. Since insurance against environmental risks (including liability for pollution) or other hazards resulting from exploration and development activities is prohibitively expensive, the Company's insurance coverage is limited. The payment of any such liabilities would reduce the funds available to the Company. If the Company is unable to fully fund the cost of remedying an environmental problem, it might be required to suspend operations or enter into costly interim compliance measures pending completion of a permanent remedy.

*The regulatory and compliance costs of being a public company are increasing*

Legal, accounting and other expenses associated with public company reporting requirements are generally increasing annually. The Company anticipates that costs may continue to increase with corporate governance related requirements, including, without limitation, requirements under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, National Instrument 52-110 – *Audit Committees* ("NI 52-110") and National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

The Company also expects these rules and regulations may make it more difficult and more expensive for it to obtain director and officer liability insurance, and it may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for the Company to attract and retain qualified individuals to serve on its board of directors or as executive officers.

*Environmental laws and regulations may increase costs and restrict operations*

All of the Company's exploration and potential development and production activities in Peru are subject to regulation by governmental agencies under various environmental laws. To the extent that the Company conducts exploration activities or new mining activities in other countries, it will also be subject to environmental laws and regulations in those jurisdictions. These laws address emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations. Environmental legislation in many countries is evolving and the trend has been towards stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and increasing responsibility for companies and their officers, directors and employees. Compliance with environmental laws and regulations may require significant capital outlays on behalf of the Company and may cause material changes or delays in the Company's intended activities. Future changes in these laws or regulations could have a significant adverse impact on some portion of the Company's business, causing it to re-evaluate those activities at that time.

*The Company's Shareholder Rights Plan could prevent a change in control that shareholders may consider favourable*

The Company has a shareholder rights plan that may have the effect of discouraging unsolicited takeover proposals. The rights issued under the plan could cause substantial dilution to a person or group that attempts to acquire the Company. The foregoing may discourage transactions that otherwise could provide



for the payment of a premium over the prevailing market price for the Company's common shares and could also limit the price that investors are willing to pay in the future for the common shares, which in turn could adversely affect the value of the common shares.

## **MINERAL PROJECTS**

The following is a description of the Company's mineral properties and the nature of the Company's interests in such properties.

The Company's principal mineral project is the Corani Silver-Lead-Zinc Property in Peru.

As further described herein, Arbitration proceedings related to the Company's Santa Ana project in Peru have concluded and an Award decision rendered. Until such time as the Award is paid to the Company the Arbitration is not completely finalized. However, as the Award is binding, the Company is confident it will be paid by the Government of Peru promptly, and expects its interest in the Santa Ana project will be concluded in due course. The Company continues to hold title to the Santa Ana concessions but, since it has not been granted the permits necessary to operate on the project and fully expects the Award to be paid and the Arbitration finalized, the Company has no intent to conduct exploration, development or further advancement of the Santa Ana project. Estimates of Mineral resources or Mineral reserves made in the 2011 Santa Ana Feasibility Study (as defined below) are no longer current and should not be relied upon. Accordingly, the Company no longer considers the Santa Ana project to be a material property. For the purposes of mineral project disclosure required to be included in this AIF, the Corani Property is the Company's sole material property.

### **Corani Silver-Lead-Zinc Property**

The information provided below in respect of the Corani Property, specifically under the heading "Summary Section of the 2017 Corani Feasibility Study", is directly excerpted from the Technical Report (as defined in NI 43-101) entitled "*NI43-101 Technical Report, Corani Project Detailed Engineering Phase 1 (FEED)*" dated effective September 13, 2017 and filed on SEDAR on October 27, 2017.

The detailed disclosure contained in the 2017 Corani Feasibility Study is hereby incorporated by reference, and the Executive Summary section (without section numbering) from that report is reproduced as follows below under "Executive Summary Section of the 2017 Corani Feasibility Study" Within the excerpted information below, the "Corani Project" or the "Project" refers to the Corani Property, "Report" refers to the 2017 Corani Feasibility Study, "2015 study" refers to the 2015 Corani Feasibility Study and "BCM" refers to the Company inclusive of its subsidiaries. Any references cited within this excerpted information are provided in the 2017 Corani Feasibility Study.

The remaining information provided below in respect of the Corani Property (for greater clarity, under the headings "Introduction", "Environmental and Social Considerations" and "Current Status") is based on information prepared by or under the supervision of Andrew Swarthout, Executive Chairman and a Qualified Person as defined by NI 43-101.

The 2017 Corani Feasibility Study was prepared by a team of independent QPs including: Juan Carlos Tapia, ChE, IMCh, PE of Sedgman, responsible for Executive Summary, Introduction, Reliance on Other Experts, Recovery Methods, Interpretations and Conclusions, Recommendations and References; Kevin Gunesch, PE, Principal Mining Engineer of GRE, responsible for Property Description and Location, Accessibility and Infrastructure, History, Mining Methods and Market Studies; Jennifer Brown, PG, SME-RM, an associate of GRE, responsible for Geological Setting and Mineralization, Deposit Types, Exploration, Drilling, Sample Preparation and Analysis, Data Verification and Adjacent Properties; Rick Moritz, MMSA, Principal Mining Engineer of GRE, jointly responsible for Mineral Processing and Metallurgical Testing; Deepak Malhotra, PhD, MMSA, Independent Consultant, jointly responsible for Mineral Processing and Metallurgical Testing; Terre Lane, MMSA, Principal Mining Engineer of GRE, responsible for Mineral Resource Estimates, Economic Analysis, Other Relevant Data and Information and

jointly responsible for Mineral Reserve Estimates and Mining Methods; Denys Parra, PE, Independent Consultant, jointly responsible for Mineral Reserve Estimates, Environmental Studies, Permitting and Social or Community Impact and Mining Methods; Gregory Wortman, BE (Metallurgy), PE, of Sedgman, jointly responsible for Project Infrastructure; Larry Breckenridge, PE, Principal Environmental Engineer of GRE, jointly responsible for Environmental Studies, Permitting and Social or Community Impact and Project Infrastructure; and, Michal Short, BE (Civil), CEEng FIMMM, FAusIMM(CP), FIEAust, CPEng, of GBM, responsible for Capital and Operating Costs. Juan Carlos Tapia, QP for the Executive Summary section of the 2017 Corani Feasibility Study, has read and consented to the use, public disclosure and filing of the scientific and technical information excerpted therefrom below, under the heading “Summary Section of the 2017 Corani Feasibility Study”.

The 2017 Corani Feasibility Study supersedes the 2015 Corani Feasibility Study, the Technical Report for which is entitled “*Optimized and Final Feasibility Study, Corani Project, Puno, Peru, Form 43-101F1 Technical Report*” dated effective May 30, 2015 and filed on SEDAR on July 17, 2015. Details of the 2015 Corani Feasibility Study are available in the Company’s Annual Information Form dated April 19, 2017, available on SEDAR.

### Introduction

The 100% owned Corani silver-lead-zinc property is located in the Andes Mountains of Peru, approximately 160 kilometers southeast of Cusco in a sparsely populated high mountain desert environment. The project consists of twelve mineral concessions that form a contiguous block of ground covering approximately 5,700 hectares. Corani is the Company’s most advanced mineral property.

See “General Development of the Business – Three Year History and Significant Acquisitions” above for background information regarding the history of acquisition and advancement of the Corani Property. A thorough description of the sequence of events, agreements and payments related to the Company’s acquisition of the Corani Property is provided in its Annual Information Form dated April 3, 2014, available on SEDAR.

The Corani Property has been explored by the Company continuously since its acquisition in 2005, and a total of \$87.2 million has been spent to date advancing the project through the completion of over 93,000 meters of drilling, a NI 43-101 resource estimate and preliminary economic assessment in 2008, a pre-feasibility study in 2009, and full feasibility studies in 2011, 2015 and 2017. Disclosure related to the drilling, and copies of the Technical Reports (as defined in NI 43-101) in respect of the preliminary economic assessment, pre-feasibility and feasibility studies are available on SEDAR.

### Executive Summary Section of the 2017 Corani Feasibility Study

#### **“Executive Summary**

This report is developed for Bear Creek Mining Corporation by Sedgman. The document is elaborated with the information generated during the FEED, Detail Engineering Phase 1 carried out by Graña Montero Engineering (GMI). The technical report presented is an international recognized bankable document named as National Instrument 43-101 Project Report (NI 43-101) that summarizes the FEED phase update.

This Report is based on the outcomes of the Feasibility Study (FS) carried out by M3 Engineering & Technology Corp. (M3), complemented by a detail engineering phase 1 by GMI.

The Project has been modified in order to optimise the facilities or reduce the costs. The main changes compared with the 2015 report are presented as follow:

- Optimization of the Mining Plan.
- Geo referenced topography and with greater precision.
- Update of Geometallurgical model for predicting recovery within the block model.

- Change in the design of the Primary Crusher to Gyratory type.
- Update of Process Design Criteria and Plant Water Balance.
- Reducing the Stockpile capacity.
- Studies of Soil Mechanics.
- Review of bridge and tunnel designs in the Main Project Access.
- Evaluation of the integral Project Layout.
- Update of Capex and Opex.
- Update of local construction costs.
- Development of the Project Execution Schedule.
- Development of the WBS for the Project.
- Review and update of Hydrology and Hydrogeology of the Project.
- Development of designs which allow to confirm of quantities for items with high cost incidence.
- Evaluation and development of Project accesses.
- Development of accesses for mine vehicles (Haul Roads).

### **Property and Location**

The land status of the Corani Project is a series of twelve (12) mineral claims or concessions. Mineral concessions in Peru are filed with the Instituto Nacional de Concesiones y Catastro Minera (INACC) which is part of the Ministerio de Energía y Minas in Peru (MINEM). Claims can vary in size from 100 to 1,000 hectares (ha). They are rectangular geometries parallel to the UTM grid system employed in the district. The Corani Project is located in the district of Corani, province of Carabaya department of Puno, in Peru, and covers an aggregate extent of 5,180.1213 hectares. The concessions are fully controlled by BCM and are free of any mortgage, lien, charge, royalty, or encumbrance.

The twelve (12) mineral concessions comprising the Project are subject to compliance with payment of annual license fees in the amount of US\$3.00 per hectare (“License Fees”). In addition, they are subject to an annual maintenance requirement with either of the following alternative obligations: minimum required levels of annual production of at least US\$100 per ha in gross sales (“Minimum Production”); or payment of an additional amount referred as Penalty of US\$6.00 per ha for the 7th through 11th year following the granting of the concession, and of US\$20.00 per ha thereafter; or exploration expenditures of 10 times the Penalty. Compliance with one of these three maintenance obligations, together with timely payment of License Fees, is required by them in good standing. Failure to comply with License Fee payments or Penalty payments for two consecutive years causes the forfeiture of the mineral concessions.

In the year 2018, the twelve (12) mineral concessions comprising the Project shall be subject to the obligations of Minimum Production, Penalties and exploration expenditures in accordance with the maintenance regime in force as of October 2008 whereby:

- The minimum production will be equivalent to one Tax Unit per year (approximately U.S. \$1,333.00) per hectare granted for metallic minerals, and 10% of one Tax Unit per year per hectare granted for non-metallic minerals (“Minimum Production”).
- Failure to attain Minimum Production will trigger the obligation to pay a penalty equivalent to 10% of the Minimum Production per year per hectare, until the year in which the Minimum Production is attained.

- Year 2028 shall be the maximum deadline for the mineral concessions comprising the Corani Project to attain Minimum Production. Failure to do so will result in the forfeiture of these mineral concessions.

Control and current status were verified in August 2017 through an electronic database search of the Geologic Mining and Metallurgical Institute (INGEMMET). All concessions are in good standing.

### **Accessibility and Climate**

The Project site is located in the eastern Andes mountain range, between 4,600 and 5,200 m above sea level (masl). The area is characterized by mountainous terrain dominated by volcanic rock above which sits glacial gravel. The lithologic and climatic conditions have given rise to a series of cirques or bowl-shaped, steep-walled basins. Apart from the vegetation associated with the wetlands mentioned below, areas of “puna” or alpine tussock grassland occupy the valleys and moderate to steep slopes. The areas above 4,700 masl mostly consist of steep mountainous slopes where erosion and climatic conditions largely prevent the development of soils or vegetation. These areas are scarcely vegetated with species specially evolved to withstand the harsh conditions. The naturally occurring acidic soils related to oxidation of sulfide bearing materials and the resulting ARD from exposed mineralized zones within the Project area have also prevented the development of vegetation where these conditions occur.

Existing access to the Project site is primarily by road from the town of Macusani (located on the paved dual lane Interoceanic Highway), which is more readily accessible from the town of Juliaca, also serviced by commercial airlines from Lima. This route typically takes 4.5 to 5 hours. There are other access routes to the site from Cusco, taking approximately 6 hours by vehicle on increasingly primitive roads approaching the site. The City of Cusco is also serviced by commercial airlines from Lima.

The nearest town of significant size and with significant infrastructure is Macusani, which is the capital of the Province of Carabaya in the Region of Puno. Macusani is approximately 30 km east of the Project in a direct line. The access road from Huiquisa Bridge to the Permanent Camp will be improved. The length of the proposed Mine Access Road connecting the process Plant to Macusani is anticipated to be approximately 64 km. The Project site is located in the district of Corani, also in the Province of Carabaya. The closely orientated campesino communities of Chacaconiza and Quelcaya, which have a joint population of approximately 200 families (80 and 120 families, respectively), will be directly impacted by the mine development, in terms of landholding, rights to water, employment, etc. The community consultation undertaken with the Chacaconiza and Quelcaya communities to date has included a proposal for mining employment, generating widespread acceptance, mainly among younger community members, the teachers at local educational facilities, and community leaders. The current labor force is generally unskilled, mainly working on highway remediation and maintenance. A technical training program is planned to develop the skills of community members to fulfil employment requirements of the Project. The Project’s requirement for labor will exceed the labor resources available in the Chacaconiza and Quelcaya communities. A ranking system will be developed with regard to geographical location of employment applicants, together with categorization and quantification of the labor force required.

### **History**

Prior to the early 1950s, mineral exploration in the Corani district consisted of shallow prospect pits and adits in the northern portion of the current Project area. These prospects are of unknown age and may date back to colonial Spanish time. Antimony prospects south and east of the property

reportedly were active in the early 1900s, when there was limited antimony production (C.R. Petersen, 1967).

The first modern evaluation of silver-lead mineralization began with the location of mineral concessions in 1951, and in 1956 Compañía Minera Korani was formed to develop the silver-lead mineralization previously prospected. The mines were developed and operated from 1956 to at least 1967. Total historical production is uncertain but is estimated at 100,000 tonnes of silver-lead-zinc ore. In early 1967, estimated mine production was reported at about 3,400 short tons per month, with grades of 7.0-9.0% lead, 2.3% zinc, and 8.0 to 11.0 oz/ton silver (C.R. Petersen, 1967).

The next exploration activity was by a private Peruvian company, Minsur. That exploration was reported to include 40 shallow drill holes in various locations, including a number of close proximity holes in the gold zone (located south of the current resource area). Although Minsur is an active mining company in Peru, attempts by BCM to secure copies of Minsur's exploration data have been unsuccessful. None of Minsur's exploration information is available or verifiable, although, reportedly, gold mineralization was encountered in some of Minsur's drilling.

In late 2003 and early 2004, Rio Tinto Mining and Exploration began a surface exploration program for porphyry copper mineralization. That initial work by Rio Tinto defined anomalous silver and lead mineralization to the south of the Korani mines and also defined a zone of anomalous gold mineralization in rock and soils. The concession ownership by Compañía Minera Korani apparently lapsed during the 1970s. The ownership of Minsur also lapsed prior to Rio Tinto's exploration activities after 2000. Rio Tinto re-established some of the older concessions in their name beginning in 2003. BCM has added two concessions early in 2005 to create the current land position described in Section 4.

Six previous resource estimates and two previous mineral reserve estimates have been completed for the Project and are published in previous technical reports beginning in 2006. Since 2006, the Measured and Indicated resource has grown from approximately 40 Moz of silver to over 300 Moz of silver.

### **Geological Setting and Mineralization**

The Project area is underlain by Tertiary volcanic rocks of the Quenemari Formation, specifically a thick series of crystal-lithic tuffs and andesite flows, which overlie variably deformed Lower Paleozoic to Mesozoic metasediments of the Ambo and Tarma Groups. The primary host of mineralization is the Chacacuzina Member of the Quenemari Formation. The Chacacuzina is the youngest member of the Quenemari, and is comprised of a sequence of crystal-lithic and crystal-vitric-lithic tuffs. The tuffs are widely hydrothermally altered and pervasively argillized to low-temperature clays, and are variably faulted, fractured, and brecciated.

Mineralization at the Corani Project occurs in three distinct and separate zones: Corani Main, Corani Minas, and Corani Este, each differing slightly in character with regard to both alteration and mineral assemblages. In general, mineralization in outcrops throughout the Corani Project is associated with iron and manganese oxides, barite, and silica. Silicification is both pervasive and structurally controlled along veins. In drill core, the mineralization occurs in typical low to intermediate sulfidation Ag-Pb-Zn mineral assemblages. The most abundant silver-bearing mineral is fine-grained argentian tetrahedrite or freibergite.

Structurally, the Corani deposit is situated within a stacked sequence of listric normal faults striking dominantly north to north-northwest with moderate to shallow (50° to <10°) westerly dips. The hanging walls of the listric faults are extensively fractured and brecciated, providing the structural preparation for subsequent or syngenetic mineralization. The stacked listric faults are more prominent in the Corani Minas and Corani Main areas. The Corani Este area contains a single

known listric fault with an extensively fractured and brecciated hanging wall. The contact with the underlying Paleozoic sediments corresponds locally to listric faults dipping shallowly to the west.

### **Deposit Types**

The Corani deposit is best described as a low- to intermediate-sulfidation epithermal deposit with silver, lead, and zinc mineralization hosted in stock works, veins, and breccias. Mineralization is principally located in a set of listric faults dipping west, with dilational segments related to subvertical structures and breccias in the hanging wall, and veinlets forming stockworks in the footwall. Structural control of the mineralization is a product of extensional tectonics that developed the series of north- to northwest-trending fractures and faults, and whose movements provided the structural preparation for the influx of mineralizing hydrothermal fluids.

Mineralization at Corani is likely both laterally and vertically distal to an intrusive fluid source. Mineral textures grade from coarse crystalline quartz-pyrite-chalcopyrite in the southern portion of the Project area, to finer grained, pyrite-dominated sulfide minerals in the north, suggesting a south-to-north hydrothermal fluid flow. This spatial zonation suggests a rapidly cooled ore fluid typical of a distal setting surrounding a buried intrusion. The multiphase nature of the mineralization and zonation at Corani may be related to multiple fluid exsolution events from an evolving porphyry type system that possibly underlies the southern part of the area. Alternatively, the mineralizing solutions may be related to shallow, subvolcanic dome emplacement.

### **Exploration**

BCM began exploring the Corani Project in early 2005. In addition to drilling, exploration activities carried out by BCM include detailed geologic mapping, trenching, and geophysical surveying.

BCM has conducted general geologic surface mapping over the entire Project area. The total mapped surface is about 4.5 km wide (east-west) and 7.5 km long (north-south). In 2015, detailed surface mapping, including lithology, alteration, and structures, was performed at a scale of 1:2500 in the area of the proposed pits.

BCM has completed 25 trenches within the Project resource area (Corani Main, Minas, and Este) to verify the continuity of the structures covered by Quaternary sediments. Spacing between the trenches is roughly 50 to 100 meters. Channel samples from these trenches have produced an associated 1,295 assay intervals for a total of 2,924 meters of trench data.

VDG del Perú S.A.C. (VDG) conducted a ground geophysical campaign at the Corani Project on behalf of BCM in the fall of 2005. A total of 44.20 line-km of induced polarization (IP) data was collected, along with 50.95 line-km of magnetic survey. The geophysical surveys were aimed at assisting in geological mapping, including lithologies and key structures and at mapping mineralization and alteration associated with a low sulfidation gold-silver system. The objective of the IP/Res survey was to map the electrical response by means of high-resolution IP traverses across the favorable north-south corridor identified based on the results of both trench and drilling exploration. The field results of both methods were of good quality and were meaningful. The final chargeability and resistivity depth sections mapped systematically clear contrasts from line to line between the sub-surface and a nominal depth of 283 meters below surface. The chargeability outlined five (5) IP anomalies, two of which correspond to the Corani Main and Corani Este areas, respectively. Those anomalies accurately mapped the known mineralization and extended the size of both mineralized zones.

### **Drilling**

Since 2005, BCM has completed a total of 556 drill holes at the Corani Project for a total of approximately 100,494.57 m. Drilling was completely by the Peruvian contractor, Bradly MDH primarily using LD250, JKS35, and LJ44 drill rigs. All of the drilling to date has been completed using diamond core drilling methods to produce either HQ (6.35 cm dia.) or NQ (4.76 cm dia.)

core. Diamond drill hole data contained in the Project database to date includes all 556 drill holes with an associated 38,111 sample intervals over a total of 92,742 m of drilling. The Project database contains 36,996 assay values each for silver, lead, zinc, and copper.

### **Sample Preparation and Analysis**

BCM employs standard, basic procedures for both drill core and trench sample collection and analysis. Formal chain of custody procedures are maintained during all segments of sample transport. Samples prepared for transport to the laboratory are bagged and labelled in a manner which prevents tampering and remain in BCM control until released to private transport carrier in Cusco or Juliaca. Upon receipt by the laboratory, samples are tracked by a blind sample number assigned and recorded by BCM. The samples are prepped according to ALS-Chemex preparation code PREP-31, and silver, lead, zinc, and copper assays are carried out by three-acid digestion followed by atomic absorption spectrophotometry (AA) analysis. Multi-element inductively coupled plasma (ICP) analysis is conducted on select sample intervals to assist with mineralization classifications and to guide the interpretation of the metallurgical process response.

BCM maintains an internal Quality Assurance/Quality Control (QA/QC) program which includes both standard and check (lab) sampling. GRE conducted a critical review of BCM's QA/QC program; toward that end, BCM provided GRE with QA/QC data in multiple Excel spreadsheet files. GRE compiled the data into a single, comprehensive QA/QC data worksheet for analysis and evaluation. Based on the results of GRE's review, in conjunction with observations and conversation with BCM personnel during the QP site visit, BCM's routine sample preparation, analytical procedures, and security measures are, in general, considered reasonable and adequate to ensure the validity and integrity of the data derived from BCM's sampling programs. GRE recommends that BCM expand the existing QA/QC program to include at least standards, blanks, and duplicates, and that QA/QC analysis be conducted on an on-going basis, including consistent acceptance/rejection tests. Each round of QA/QC analysis should be documented, and reports should include a discussion of the results and any corrective actions taken.

### **Data Verification**

Data verification efforts included an on-site inspection of the Corani Project and core storage facility, check sampling, and manual and mechanical auditing of the Project database.

During the on-site inspection in August 2017, GRE's (QP) representative conducted general geologic field reconnaissance, including inspection of bedrock exposures and other surficial geologic features, ground-truthing of reported drill collar and trench sample locations, and superficial examination of historic mine workings. One full day of the site visit was spent at the core storage facility in Juliaca, where select intervals of whole and half core were visually inspected and samples were selected to submit for check assay. Field observations during the site visit generally confirm previous reports on the geology of the Project area. Bedrock lithologies, alteration types, and significant structural features are all consistent with descriptions provided in existing Project reports, and the author did not see any evidence in the field that might significantly alter or refute the current interpretation of the local geologic setting.

Specific core intervals from 35 separate drill holes were selected for visual inspection and potential check sampling based on a preliminary review of the drill hole logs and associated assay values. The core intervals were selected prior to the site visit, and the core was laid out by BCM staff and ready for inspection upon arrival. With few exceptions, the core samples accurately reflect the lithologies recorded on the logs. A total of 17 samples were selected for check assay. The samples were selected from low, moderate, and high-grade intervals based on original assay results. In all cases, the degree of visible alteration and evidence of mineralization observed was generally consistent with the grade range indicated by the original assay value. Laboratory analysis was completed by ALS Peru using the same sample preparation and analytical procedures as were used for the original samples. Standard t-Test statistical analysis was completed to look for any

significant difference between the original and check assay population means. The results of the t-Test showed no statistically significant difference between the means of the two trials (original versus check assay).

GRE completed a QAQC audit of the digital Project database by comparing a random selection of original assay certificates to the assay information contained in the Corani Project database. Results of the QAQC audit indicate a minor and acceptable error rate. GRE also completed a mechanical audit of the Project database in order to evaluate the integrity of data from a data entry perspective. The mechanical audit identified a small number of data entry errors, including gaps, overlaps, and missing sample intervals. All data entry errors were easily rectified, and are considered insignificant with regard to potential impact to the mineral resource and mineral reserve estimates. The database audit work completed to date indicates that occasional inconsistencies and/or erroneous entries are likely inherent or inevitable in the data entry process.

GRE recommends that BCM establish a routine, internal mechanical audit procedure to check for overlaps, gaps, total drill hole length inconsistencies, non-numeric assay values, and negative numbers. The internal mechanical audit should be carried out after any significant update to the database, and the results of each audit, including any corrective actions taken, should be documented and stored for future use in database validation.

### **Mineral Processing and Metallurgical Testing**

The Corani deposit is a silver-lead-zinc deposit with relatively complex mineralogy. It should be noted that no additional metallurgical work has been completed since issuance of the 2015 Optimized Feasibility Study. The geo-metallurgy recovery equations developed for the 2015 study were utilized for the current mine planning and scheduling. Upon review of the metallurgical testing data, it is clear that performance of Corani mineralization to conventional flotation and cyanidation processing was widely variable. The geological classifications provided some delineation of metallurgical response: Samples representing the CSC ore type consistently responded well to a conventional sequential lead / silver – zinc flotation. Conversely, FeOx and MnO responded very poorly to flotation, but generally responded better to cyanide leaching for silver.

The geological classification FBS which represents a large amount of the estimated resource tonnage, had a broad range of metallurgical response. The variable response was shown to be related to the fine texture of the mineralization and presence of non-sulphide lead mineral forms. However, the geological classifications alone were not able to delineate the texture or quantity of non-sulphide lead minerals.

To better predict the metallurgical response, a geo-metallurgy approach was investigated to link metallurgical response to block modelling parameters. The statistical analysis indicated several key parameters could be used to generate metallurgical response. For the purpose of the analysis, the metallurgical process was restricted to only sequential flotation of silver bearing lead concentrate followed by the flotation of a zinc concentrate, also containing some silver.

With metallurgical response linked to block modelling parameters, the mine plan could be optimized to maximize the revenue for the Project. The Table 1-1 displays the estimated metal recoveries by mine schedule.

**Table 1-1: Recovery Predictions for Mine Schedule**

Production Year	Tonnes t (dry) x 1000	Feed Grade (% or g/t)		Grade (g/t or %)		Recovery (%)	
		Ag	Pb	Ag	Pb	Ag	Pb
Year 1	5,328.75	95	1.14	4,560	50.0	65.6	59.8
Year 2	7,875	77	1.06	3,569	49.9	75.4	66.3
Year 3	7,875	93	1.24	4,370	53.8	67.7	62.4



year 4 to 5	15,750	62	1.10	3,086	53.8	68.5	67.3
Year 6 to 10	39,375	51	0.90	3,858	50.0	60.4	51.7
Year 11 to 18	62,868.9	35	0.76	2,354	50.2	64.2	64.5
LOM	139,072.6	50	0.90	3,010	51.0	64.3	61.1

### Mineral Resource Estimates

GRE estimated the Mineral Resources for the Corani Project during the first quarter of 2015. No new drilling, geology, or metallurgical test work has been performed since then. That work and the resulting Mineral Resources were documented and published in the May 30, 2015 Technical Report. The 2015 mineral resource block model was used for estimation of the Mineral Resources and Mineral Reserves of the Corani Project in the current Corani Project Detailed Engineering Phase 1 (FEED) Technical Report.

The resource model has three main lithologies: basement sediment with minor quantities of mineralization, the mineralized (pre-mineral) tuff, and a mostly unmineralized post-mineral tuff which is assumed to be barren. Mineralization has been defined by 7 mineralization types, which were later grouped into oxidized, transition, and sulphide groups. The Mineral Resources for the Corani Project are shown in Table 1-2. The Mineral Resources were generated within the \$30.00/troy ounce silver, \$1.425/lb lead, and \$1.50/lb zinc price Whittle pit shell and the calculated \$11/tonne NSR cut-off.

Table 1-3 shows the potentially leachable Mineral Resource contained within the Whittle pit shell at a 15 g/t cut-off that is available in addition to the Mineral Resource shown in Table 1-2.

**Table 1-2: Total Mineral Resources (Includes Both Resources and Reserves)**

Category	Ktonnes	Silver gpt	Lead %	Zinc %	Silver Million oz	Lead Million lb	Zinc Million lb
Measured	29,209	56.2	0.912	0.582	52.8	587	375
Indicated	181,902	40.7	0.741	0.495	238	2971.3	1983.5
Measured + Indicated	211,111	42.8	0.765	0.507	291	3,558	2,359
Inferred	31,231	40.6	0.742	0.512	40.8	510.6	352.4
Note: Cut-off Value: \$11.00/tonne covers process and general and administrative costs.							

**Table 1-3: Total Mineral Resource of Potentially Leachable Material**

Category	Ktonnes	Silver gpt	Silver Million oz
Measured	5,006	38.0	6.12
Indicated	19,690	23.1	14.61
Measured & Indicated	24,697	26.1	20.72
Inferred	8,722	25.1	7.03

### Mineral Reserve Estimates

The Mineral Reserve Estimate is based on the 2015 GRE resource block model, using updated Whittle optimization parameters, new pit designs, and new phase designs.

The Project Mineral Reserves consider only measured and indicated resource categories, which have been converted to proven and probable reserves categories, respectively. Mineral Reserves are defined as being the material to be fed to the process plant in the mine plan already described,

and are demonstrated to be economically viable in the Detailed Design Phase 1 (FEED) economic model.

**Table 1-4: Corani Project Mineral Reserves**

Classification	Tonnes Mt (dry)	Grade			NSR \$/t	Contained Metal		
		Silver g/t	Lead %	Zinc %		Silver Moz	Lead Mlb	Zinc Mlb
Proven	20.8	65.8	1.03	0.71	37.17	44	472	323
Probable	118.3	47.5	0.87	0.57	28.55	181	2,274	1,486
Total Proven + Probable	139.1	50.3	0.90	0.59	29.84	225	2,746	1,809

Notes:

- 1) The Mineral Reserves have been estimated using the definitions of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM).
- 2) The Mineral Reserves have been estimated using the following metal prices: \$20.00/oz Ag, \$1.00/lb Zn, \$0.95/lb Pb using a revenue factor 1.00 pit shell as a basis for the pit design.
- 3) Only pre-mineral tuff type of material has been considered as reserves.
- 4) NSR Cut-off grades used are equal or higher than: \$11.11/t for the East Pit, and \$11.26/t for Minas and Main pits.
- 5) The effective date for these Mineral Reserves is 1 May 2017.
- 6) Totals / Averages may not add up due to rounding of individual tonnes and grades.
- 7) The tonnes and grades shown above are considered a Mineral Reserve because they have been demonstrated to be economically viable through the FEED study financial model using the following metal prices: \$18.00/oz Ag, \$1.10/lb Zn, \$0.95/lb Pb.

### **Mining Methods**

The Corani Project will be mined using conventional open pit mining methods, with either an owner mining or a contractor mining scenario. The base case assumes contractor mining. The rock will be broken by drilling 0.156-m diameter blast holes and blasting with ANFO and emulsion. Broken rock will then be loaded into 130-136 tonne trucks using a 13 m<sup>3</sup> front end loader or one of two 15 m<sup>3</sup> hydraulic shovels. Support equipment includes two D10 bulldozers, a road grader, water trucks, rubber tire dozer, compactor, excavator, fuel and lube trucks, and other miscellaneous equipment.

During a 10-month pre-production stripping, pioneering, haul road construction phase prior to plant construction, 4.7 million tonnes of waste rock will be mined to generate construction material. Another 7.6 million tonnes will be mined immediately prior to production. The mine is designed to generate 7.875 million tonnes of ore per year with strip ratios of 3:1 to 4:1 during the first two years, falling to below 2:1 the third year, and then below 1:1 the final 3 years of the mine life.

### **Recovery Methods**

Corani process plant is designed for a treatment of 7,875,000 tonnes per year of a lead-silver-zinc ore, considering an availability of 92% and operating 350 days per year. It considers typical mining

industry areas such as crushing, grinding, flotation, thickening and filtration for tailings and final concentrates (Pb/Ag and Zn/Ag).

The plant design considers the following process areas:

- Primary Crushing and Coarse Ore Stockpile
- SAG – Ball Mill
- Selective Lead and Zinc Flotation
- Concentrate Thickening and Filtering (Pb, Zn)
- Tailings Thickening and Filtering Plant
- Dry Tailings Disposal Plant
- Reagents and Utilities Areas.

Figure 1-1 below is a simplified schematic of the process. GMI optimised the process design based on the results of several 2009 and 2011 metallurgical testing programs (Blue Coast, 2011; DJB Consultants, 2011; SGS, 2007, 2008a, 2008b, 2009a, 2009b, and 2010) and new metallurgical testwork and analysis for grinding, sedimentation, and filtration in 2014 (Alex G. Doll Consulting Ltd., 2014; ALS Metallurgy Kamloops, 2014; Outotec Canada, 2014a; Outotec Canada, 2014b) and as a result of different analysis (primary crusher technology, stockpile optimisation, tailings filtration plant, waste rock and dry tailings stacking area location, etc.).

The ore will be crushed in a primary gyratory crusher that is located adjacent to the open pit mine and temporarily stored in the coarse ore stockpile. From there it will be conveyed to the processing facilities where it will be ground to 80 percent finer than 106 microns in a semi-autogeneous grinding (SAG) and ball mill circuit.

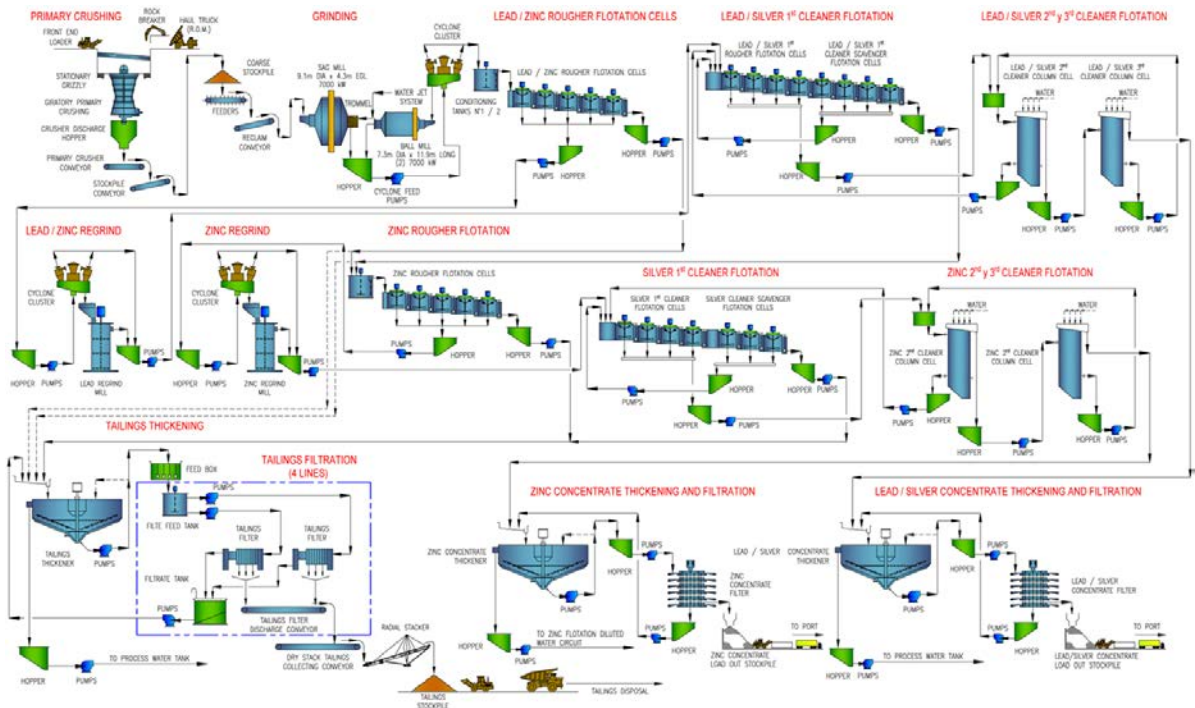
The ore is further processed in a flotation circuit consisting of lead flotation followed by zinc flotation. The majority of the silver will be recovered in the lead flotation circuit and some silver will also be collected in the zinc flotation circuit. Lead sulphide will be recovered in a one-pass rougher flotation bank, producing a concentrate that will be upgraded to smelter specifications in three cleaning stages. Tails from the lead flotation section will then be conditioned for zinc sulphide flotation. The process scheme for zinc flotation also includes a rougher bank and three stages of cleaning using both mechanical cells and column flotation to produce smelter-grade zinc concentrates. For both lead and zinc sections, the rougher flotation concentrates will be reground to 80 percent finer than 25 microns prior to cleaner flotation to liberate the sulphides for further upgrading.

Tailings from the lead and zinc flotation circuit will be thickened, filtered and conveyed to a stockpile at the plant. From there, the filtered tailings will be trucked to the Main Waste Dump where it will be co-disposed with mine waste during the first eight years of operation. Between years 9 and 11, filtered tailings will be disposed of as backfill into the Corani Este pit with additional waste rock. From year 12 onwards, the tailings will be again re-disposed at DDMRP up to the end of the mining operation.

Water will be reclaimed from the tailing thickener overflow and from the tailing filtrate. Process make-up water will be pumped from the contact water section and fresh water section of the Plant Water Supply Pond.

Lead and zinc concentrates will be thickened, filtered, and transported by trucks to the Port of Matarani for ocean shipment to smelters.

**Figure 1-1: Simplified Process Flow Diagram for the Corani Project**



### Project Infrastructure

The infrastructure for the Corani Project requires significant development and planning. The site is remote, at high elevation, and a considerable distance from major urban areas. The infrastructure developed for the Project includes transportation, process buildings and related facilities, water supply and management, power supply, communications, and material storage stockpiles.

Several Project components were optimized subsequent to the July 2015 Technical Report by M3 Engineering (M3 PN 140135, 17 July 2015). Detailed engineering studies, site investigation work, and laboratory testing programs were ongoing at the time of the July 2015 report. The optimizations were presented in December 2015. Several significant changes have been made in the design approach in order streamline the Project and minimize Capital and Operating costs. The most significant changes have been advanced through additional fieldwork and detailed engineering to support the optimization concepts presented in this study. A summary of the infrastructure related work performed subsequent to the 2015 report for the present 2017 study is presented below:

1. More precise and geo-referenced topography completed
2. Soil mechanics studies completed
3. Bridge and tunnel designs for the main Project access road reviewed and in some cases revised
4. Review and optimization of the overall Project layout
5. Review and update of Project hydrology and hydrogeology
6. Evaluation and development of Project accesses
7. Development of accesses for mine vehicles (Haul Roads)

## Transportation, Access, and Site Roads

### *Site Buildings and Facilities*

- Mine Services Facilities
- Administration Facilities
- Process Facilities
- Camp Facilities
- Water Supply and Management Facilities
- Power Supply and Distribution
- Communications Systems
- Waste Disposal Facilities
- Waste Rock and Tailings Management Facilities

### *Transportation*

Transportation to and around the site is by roadways that have been developed and improved to accommodate the demands of the Project. An access road has been designed to link the Project site to the Interoceanic Highway that provides access to the town of Macusani and to the rest of the country for receiving supplies and delivering products. The lead and zinc concentrate produced by the mining and mineral processing operations will be delivered to the Port of Matarani or other destination via trucks using the access road and Peru's public highway system.

The current components and arrangement of facilities is described in this section of the Report. Several of these Project components are described in more detail in other sections of this report, and only a general description of the relevant aspects of the Project infrastructure-related components is given in this Section.

### *Access Road*

The Main Access Road to the Corani Project, as designed by GMI and Anddes Asociados SAC (Anddes), will be a new 44 km highway connecting to the existing Interoceanic Highway (34B) which is in turn connected through the existing Peruvian highway system to the Port of Matarani, 632 km. from the Project site. The Port has facilities for concentrate shipment. The Interoceanic Highway is a two-lane, paved highway that connects the Peruvian port cities of Matarani and Ilo.

### *Buildings and Facilities*

Corani Project buildings and facilities are divided into four functional areas: Administration, Mine Facilities, Process Facilities, and Residential Facilities.

The mine facilities include the following:

- Powder magazine 14 m<sup>2</sup> 1,800 kg
- Detonator Magazine 18 m<sup>2</sup> 500 kg
- Covered ammonium nitrate storage and charging silo 375 m<sup>2</sup>
- Emulsion storage silos 2 @ 80 t
- Yard storage
- Truck wash
- Truck fuel storage and
- Tire shop

The administrative facilities are located near the main entrance and include the following:

- Guard house and weigh station
- Administration building
  - Warehouse
  - Fuel supply

The process facility and ancillary buildings include the following:

- Primary crusher
- Crushed Ore Storage and Reclaim
- Grinding, flotation, and reagents buildings
- Concentrate handling and load out building
- Tailings thicker
- Tailings filtration building
- Tailings stacker and stockpile
- Plant maintenance and emergency services
- Analytical laboratory
- Plant water storage and treatment area
- Electrical substation
- Plant water supply pond
- Plant waste water treatment facility
- Tailings emergency containment pond
- Drum storage building
- Camp

The residential camp facilities are located approximately 12 km northeast of the mine entrance along the access road and include the following.

- Dining and food preparation
- Residential accommodations
- Medical services
- Recreational facilities
- Water and wastewater management
- Security services

#### Mine Service Facilities

- Truck and Facility Workshop
- Fleet Management System

#### Administration Facilities

The administration facilities are located near the main entrance partially because of space constraints and partially to keep suppliers and non-essential personnel out of the mining and process

areas. The administration facilities include the main gate and guard house, an administration office building, and a warehouse to receive parts and supplies necessary for operation and maintenance.

- Security
- Warehouse Building
- Administration Building

#### Project Water Management

Surface water and groundwater will be used to provide the water required for the Project. Surface water (runoff and streamflow) and groundwater (from pit dewatering) will both come from the watershed that hosts the Project. No cross-basin abstractions will be required. Water on the project is classified as either contact water or non-contact water. Contact water is defined as water that has had contact with any area disturbed by the Project where the water quality could be degraded from Acid Rock Drainage (ARD) or other water contaminants. Non-contact water is defined as water that has not had contact with the Process or any area that has been disturbed. Contact water and non-contact water will be managed and conveyed separately. They will ultimately be stored in a water storage pond which has two separate compartments, one for each circuit. The contact water that has been stored will be consumed as preferential process water (make-up) for the plant. This water cannot be discharged to the environment during operations (See Section 20). A portion of the Non-Contact Water stored in the pond will be used to satisfy the process water demand once the Contact Water has been exhausted. Non-contact Water that is not used will be discharged, if necessary, to the Quebrada Chacaconiza. The Project is required to discharge a fixed quantity of non-contact water downstream as part of the Environmental Impact study and ITS (see Section 20).

#### Power Supply

A new 138 kV power transmission line is necessary to provide power to the Corani Project. A new power substation will connect with Power Transmission Line L-1013 (San Gabán II – San Rafael – Azángaro) as the power source. A new 138 kV power transmission line will be built to connect the Antapata substation to the Main Corani substation to be built near the Project's main process buildings. The proposed alignment for the 138kV line was provided by Promotora (2015). The transmission line route was selected based on using the route already provided by the Project's Mine Access Road.

#### Waste Rock and Tailings Management Facilities

Disposal of mine waste and filtered tailings will be in a common deposit, the size of which has been designed for the quantities considered in the mine plan. The height could easily be increased to give more capacity in the future if required. The Main Dump and pits are designed to minimize and mitigate the formation of ARD. ARD is a natural process which arises from the oxidation of sulfide minerals. This risk is present in Corani Waste Rock, tailings, and pit walls. Section 20 describes the ARD management plan.

For the main dump, the primary repository for all mine waste, initially, a base platform will be constructed using Non-Acid Generating (NAG) waste from the mine pre-stripping stages. Filtered tailings and mine waste will be placed in alternating layers, with the waste layers acting as conduits to remove water generated through the tailings consolidation process. Vertical chimneys of rock will connect each layer to increase effectiveness of the drainage system. Drainage water will be directed to a sump located immediately downstream of the deposit. The tailings / waste layers will be encapsulated with NAG waste (10m below, 20m on the down-stream face and 1m on top). Starting in year 9, for 3 to 4 years, a portion of filtered tailings and mine waste will be used to backfill the East pit. Following completion of mining, as part of the closure plan, approximately 24Mt of waste and tailings will be re-handled from the top of the Main Mine Waste and Filtered Tailings Deposit to backfill Minas and Main Pits to the current level of the wetlands.

### Market Studies and Contract

Penfold Limited conducted a review of the lead and zinc concentrate markets, smelting charges, penalties, concentrate handling, and land and ocean transportation costs. The supplied information was used as a guide to develop all associated payments and expenses associated with the sale of Corani concentrates. There are no letters of intent or sale agreements in place. All information is based on Penfold's experience for similar concentrates.

### Environmental Studies, Permitting and Social or Community Impact

The main environmental approval required in order to begin mining activities is an Environmental and Social Impact Assessment (ESIA). In 2013, the Ministry of Energy and Mines approved the ESIA based on the Feasibility Study prepared in 2011. The Closure Plan was approved in April, 2015. In 2016, the Ministry of Energy and Mines approved the modification of the ESIA based on the Optimized and Final Feasibility Study prepared by 2015.

The design and operating improvements incorporated in this Technical Report are expected to require only a modification of the existing approved ESIA, without the necessity for additional public hearings, as they are entirely located within the previously approved project footprint. Furthermore, as the environmental impact of the proposed Corani operation has been reduced as a result of the modifications described within this report and the Company anticipates final permitting timelines will shorten and costs will be lower than previously anticipated.

Bear Creek's plans for the Corani project are to focus on preparing for development of the project starting with the preparation and submission of an amended ESIA in the third quarter of 2017.

The community consultation undertaken with the Chacaconiza and Quelcaya communities to date has included a proposal for mining employment, generating widespread acceptance, mainly among younger community members, the teachers at local educational facilities, and community leaders. The current labor force is generally unskilled, mainly working on highway remediation and maintenance. A technical training program is planned to develop the skills of community members to fulfil employment requirements of the Project.

Additionally, Bear Creek completed a Life of Mine ("LOM") Investment Agreement in June 2013. This agreement was entered into with the District of Corani, five surrounding communities, and relevant, ancillary organizations specifying investment commitments over the 23 year project life, including the preproduction period. Under the agreement, annual payments are to be made into a trust designed to fund community projects totaling 4 million nuevos soles per year (approximately \$1.6 million per year), beginning with the first installments payable in 2013. Payments will remain constant throughout the pre-development phase and during production. Cessation or interruptions of operations will cause a pro-rata decrease in the annual disbursements. As an integral part of the LOM agreement, a trust or foundation structure is established for approval of investments and disbursement of funds.

### Capital and Operating Cost

Life of mine capital cost, capital and life of mine operating cost estimates are summarised in Table 1-5, Table 1-6 and Table 1-7 respectively.

**Table 1-5: Life of Mine Capital Cost Summary**

<b>Cost Type</b>	<b>Cost (USD Million)</b>
Sunk Costs	4.279
Initial CAPEX	580.919
Sustaining CAPEX	0.361
<b>TOTAL</b>	<b>585.559</b>



**Table 1-6: Capital Cost Summary**

<b>Cost Area</b>	<b>Cost (USD Million)</b>
General	40.337
Mining	44.544
Infrastructure	56.813
Process Plant	245.059
Fresh Water/Process Water	41.549
Power Supply	2.934
Ancillary Buildings	22.977
Engineering	10.000
Project Management & Supervision	14.980
Commissioning, Start Up and Vendor Representatives	13.888
Owner Costs	32.259
Contingency & Escalation	55.579
<b>TOTAL</b>	<b>580.919</b>

**Table 1-7: Life of Mine Operating Cost Summary**

<b>Cost Item</b>	<b>LOM Cost (USD)</b>
Mining	802,268,628
Processing Plant	1,406,214,462
Treatment & Refining Charges	876,771,423
General & Administrative	235,595,236
<b>TOTAL</b>	<b>3,320,849,749</b>

### **Economic Analysis**

The economic analysis was performed using a Discounted Cash Flow (DCF) which is a standard industry practice. The key assumptions used for the study are shown in Table 1-8 and establish a “Base Case.” The table provided the life-of-project averages for grade recovery and these values vary over the life of the project depending on the head grades and split between mixed sulfide ore and transition ore.

**Table 1-8: Key Assumptions for the Corani Project – Base Case**

Annual ore production – years 1 to end of life (ktonnes)	7,875
Overall process recovery – silver – into both lead and zinc cons	69.9%
Overall process recovery – lead – into lead cons	61.1%
Overall process recovery – zinc – into zinc cons	67.1%
Total processed ktonnes	139,073
Average silver grade (g/t)	50.3 g/t
Average lead grade (%)	0.90%
Average zinc grade (%)	0.59%

Payable ounces of silver net of smelter payment terms (total)	144 million
Payable pounds of lead net of smelter payment terms (total)	1.59 billion
Payable pounds of zinc net of smelter payment terms (total)	1.03 billion
Overall stripping ratio	1.49 to 1
Life-of-Mine years	18

The results of the economic analysis for the Project indicate an after-tax internal rate of return (IRR) of 15.1% and net present value (NPV) of \$404.5 million at a 5% discount rate based on metal prices of \$18.00 per ounce silver, \$0.95 per pound for lead, and \$1.10 per pound zinc.

### **Adjacent Properties**

There are no adjacent mineral properties which might materially affect the interpretation or evaluation of the mineralization or exploration targets of the Corani Project.

### **Other Relevant Data and Information**

Bear Creek and GMI have created a Project Execution Plan and have conducted a Hazard and Operability study, creating a project development pathway designed to minimize risk and uncertainty, manage construction performance and schedule, to deliver the Project on budget.

The Project is planned to be constructed over a three year time span with engineering continuing through 2017, access road, plant equipment procurement and fabrication beginning the first quarter of 2018. Commissioning and start up is scheduled for the first quarter of 2021.

### Objectives

The Project would be executed in accordance with the Execution Plan which is designed to achieve the following objectives:

- Uncompromised safety
- Environmental compliance
- Community relations objectives
- Conformance to the budget
- On-schedule completion
- Compliance with Project quality standards
- Inclusion of Peruvian participation
- Client Satisfaction

### Project Development Schedule

The Project development schedule continues with engineering and permitting through the remainder of 2017, followed by road construction and long lead equipment procurement beginning the first quarter of 2018. Construction activities continue through 2019 and 2020 with planned commissioning and startup the first quarter of 2021. GMI has developed the following Project development schedule.

The following list shows the estimate time duration (ETD) for each main activity:

- Detailed Engineering – 15 months

- Permitting – 16 months
- Major Offsite Contracts (Camp, Power Line, Access Road) – 14 months
- Mine Construction/Pre-stripping – 12 months
- Plant Construction – 21 months
- Commissioning and Start-Up – 6 months

The total time from receiving financing to start-up is estimated to be approximately 36 months.

The critical path method should be applied to develop the execution schedule and Primavera P6 software.

### Project Management

An experienced EPC company would be selected to develop the Project. This company would develop and implement the Project Procedures Manual that would include the following information:

- Project Management Plan;
- Engineering Management Plan;
- Procurement Plan;
- Logistics and Transportation Plan;
- Construction Plan;
- Commissioning and Startup Plan;
- Quality Assurance Plan;
- Environmental, Health and Safety Plan;
- Communication Plan;
- Project Controls Plan;
- Project Schedule; and
- Project Close-Out Plan.

### Engineering

An Engineering Management Plan should be applied which outlines the procedures and tools which would be used to effectively manage the design.

The Project engineering would be developed in two-phases:

- Integration Engineering phase that would confirm and integrate the engineering packages and initiate the procurement of long-lead equipment items,
- Phase 2 Detailed Engineering phase that would be carried out by a leading engineering and construction company following the completion of the Phase 1 Detailed Engineering. As detail engineering designs and quantity take-offs are completed these would be transferred to the procurement and contracts groups for purchase and contracting and to the construction team at the Project site.

The Detailed Engineering work would be developed by an EPC/EPCM company. Some design packages, such as roads and power supply could be executed by a Peruvian company.

### Procurement and Contracting

Due to the location and altitude of the site, pre-fabrication and skid-mounted packages would be considered to the greatest extent possible. Pre-fabricated modules would be equipped with piping and valves, wiring and instrumentation to reduce onsite labour.

Sourcing of the majority of equipment and materials is expected to be from USA, Canada, Europe, Chile and China. Some major and minor mechanical equipment and material would be procured from Peruvian suppliers such as platework and steel structure.

Working with the Project construction management team a detailed contracting plan indicating scope breakdown and contract type will be developed during the Project detail engineering phase.

### Construction

A Construction Management Plan should be applied which defines the standard processes that must be used to construct the Corani Project in a controlled and efficient manner.

The Project scope will be divided into manageable work areas to facilitate a controlled work flow and smooth handover from construction to commissioning through to production.

The Project construction team is responsible for the delivery of the works in accordance with the agreed scope of work and the Project schedule.

Specific timing for all engineering work packages and construction ERF packages would be included in the Project master schedule.

### Commissioning and Startup

A Commissioning Management Plan will be applied which defines the standard processes that must be used to commission the Corani Project in a controlled and efficient manner.

Commissioning includes those activities necessary for an effective transition between construction and mechanical completion when systems are turned over to the commissioning and start-up team. These activities include the following:

- Ensure that equipment is operationally ready for start-up (i.e. to accept feed);
- Sequence starting and running of tested logical groups of equipment;
- Wet and dry runs of systems;
- Demonstration of the suitability of the facilities to be ready for processing and production; and
- Coordinate with and assist the owner to achieve hand over of the completed facilities.

The commissioning and start up team is planned to be an integrated organization of plant operators, contractors and suppliers.

### **Recommendations**

The recommendations provided below address areas that require more complete definition to inform and optimize the detailed engineering design.

### Geotechnical

A monitoring plan, monitoring instrument alert levels and operation and contingency manual, should be developed for the whole mine facilities. A best industry practice should be applied in the development of those documents, mainly for the critical components. Those documents and manuals will support the routine operation and will produce a safe environment.

A group of specialists, including geotechnical, hydrologist and mechanical engineers, should carry out Annual Safety Reviews of the whole facilities, taking into consideration the Canadian Dam Association guidelines. The Safety Report should update the monitoring plan, operation and

contingency manual, stability condition, water management, critical equipment operation of each mine facility and provide action lists for improving the functioning of them. Regardless the Annual Safety Review, all the facilities will have to be inspected after the occurrence of an extreme storm or earthquake event.

Due to the geotechnical characteristics of the Plant Water Pond foundation, a good quality control and quality assurance program should be implemented during construction, including geoelectrical surveying for verifying potential geomembrane defects which produce leaks.

Additional geotechnical drilling should be completed within the planned pit. This will confirm the current pit slope design basis and potentially allow an increase in the pit slope angles. The pit will intersect the unconsolidated sediments lining the floor of the upper bofedal and lower bofedal areas. Additional drilling, testing, and analyses are required to design the pit slopes within the bofedal soils and to develop a detailed plan for dewatering and mining the bofedal soil material. This will involve drilling several boreholes through the unconsolidated sediments, with production of detailed stratigraphic logs and undisturbed sampling for density and strength testing of the unconsolidated material. Boreholes would be completed as monitoring wells, and multiple-well aquifer testing will be performed to better assess the dewatering requirements for the material.

### Process Plant Design

During the initial stages of the next design phase, the process plant design should be optimised considering the last mining plan.

Confirm the burden and spacing of blasting in order to reduce the stationary grizzly oversize (1 m opening) and the rock breaker duty.

It is recommended to optimise the feed and discharge primary crusher bins capacities in order to adjust to the haul truck size chosen.

Also it should be evaluated from the environmental point of view if a cover for the coarse ore stockpile is required.

Further work will be required during detailed design on the pebbles handling system, once more data is obtained on their effects on SAG mill operation.

It is suggested to incorporate metallurgical samplers in lead and zinc flotation feed circuits and both final concentrates and tailings in order to be able to realize auditable mass balances for silver, lead and zinc.

Also it is recommended to carry out new tests using SFR flotation cells, with the purpose of reducing the amount of penalty elements (As, Sb, clays) and maximising the silver recovery in the lead concentrate.

It is unknown the effect that the water recirculation will have on the lead flotation efficiency, therefore, with the aim of guaranteeing appropriated lead and silver recovery it is suggested to use two independent process water circuits for lead and zinc. This could mean a reduction in reagents consumption, thus saving operating costs for the process plant.

It is also suggested to incorporate into the process plant design the in-line addition of hydrogen peroxide and activated carbon.

For pH control of the recirculated water it may be required to design a system for sulphuric acid addition and adjust the pH prior to lead flotation.

Finally, it is recommended to carry out a dynamic simulation in order to detect possible bottle necks and optimise the design of the plant. This should be done during the initial stages of the next design phase.

### Environmental Studies, Permitting and Social or Community Impact

In 2016, the Ministry of Energy and Mines approved the modification of the ESIA based on the Optimized and Final Feasibility Study prepared by 2015. However, it is recommended that Bear Creek commence the permitting process on water rights and mine plan approval, both of which are critical, early-stage permits. Bear Creek is also encouraged to utilize all efforts in maintaining its social license and ensuring the continued strong support from local communities, local and regional governments, and the central Peruvian government.

Additional evaluation is required on the water balance. The main dump seepage model and the pit dewatering model both require a higher level of rigor to achieve the level of “detailed design”. Once these studies are complete, the water balance will require revision. However, the water balance is robust (see Section 20) and few complications are foreseen.

### Capital and Operating Cost

It may be possible to reduce the cost of delivering tailings to the Main Dump and pit backfill disposal sites by varying the proportion of tailings delivered by conveyor systems and by trucks during the period when tailings are being produced. It is recommended that an optimization study be carried out to determine this, and a detailed plan should be devised. Tailings will be co-disposed with waste rock in the Main Dump and pit backfills. In general, it is expected that it will be cheaper to use conveyors instead of trucks to deliver tailings to ultimate disposal destinations, but exclusive use of conveyors may be less practical for tailings destined for the pit backfill. During the period when pit backfilling will be taking place, the current schedule indicates that truck capacity will be available; therefore, an optimization study should specify the ideal mix of conveyor/truck transport of tailings over time, depending partly on truck availability.

A study should be conducted to match operating equipment to the high-altitude conditions, potentially identifying equipment outfitted with pressurized cabs and other worker comfort and performance additions. Caterpillar equipment offers high-altitude arrangements (HAA), and these modifications allow their power ratings to be valid to 4,877 m.

### **Risks**

The following risks have been identified:

- The high altitude of the site may have a greater-than-expected negative impact on worker productivity.
- The high altitude of the site may result in greater-than-expected impacts on the function and capacity of diesel-powered equipment and electrical components.
- As with any large-scale mine development, there is a risk that additional capital may be difficult to raise in the event that costs increase during the pre-production period.
- A currency exchange risk exists. While a weakening of the Peruvian Nuevo Sol (PEN) would lower the cost of in-country expenses, conversely, strengthen of the PEN would increase local cost.
- Although local communities have generally supported the Project development, there is a risk that sentiments could change, or that special interest groups from outside the community could mobilize opposition to the Project.
- During operations, a potential silver migration from the lead flotation circuit to zinc flotation circuit must be evaluated with additional metallurgical test.

## Opportunities

The following opportunities have been identified:

- It may be possible to improve metal recoveries by optimizing flotation work. Testing under optimized conditions could increase recovery over that predicted by the geometallurgical model.
- Data generated during additional geotechnical drilling may show that it is feasible to steepen pit slopes.
- It may be possible to improve concentrate grades and increase the net smelter return.
- Operating cost improvements may be obtained from using conveyor systems to transport tailings to the disposal sites.
- Complete further test work to optimise the recovery of Silver in the Lead Flotation Circuit, potentially increasing the Project revenue.
- Optimise the plant design by developing a dynamic simulation model.
- Gold Zone: The Gold Zone is an advanced exploration target on the Corani Property. To advance the Gold Zone target, additional metallurgical test work should be undertaken to identify an appropriate recovery method so that capital and operating costs can be developed for a recovery plant. When a recovery strategy is determined, a mineral resource should be estimated for this area so that scoping level studies can be undertaken to evaluate the Gold Zone's economic potential. <sup>(1)</sup>

(1): Recommendation from the 2015 Ni43-101 report”

### Environmental and Social Considerations

The Company believes it has established good working relationships with the local communities and has continued to operate development activities at Corani without interruption and is committed to maintaining and strengthening these positive relationships as the Corani Property is advanced.

The Company owns 100% of the surface rights covering the mine, waste dumps and plant. The Company is working with the Peruvian government to provide the access rights for the ancillary facilities including the access roads and power.

Importantly, the Company completed a Life of Mine Social Investment Agreement in April 2013 in June 2013. This agreement was entered into with the District of Corani, five surrounding communities, and relevant, ancillary organizations specifying investment commitments over the project life, including the pre-production period. Under the agreement, annual payments are to be made into a trust designed to fund community projects totaling 4 million S/. per year (approximately \$1.3 million per year), beginning with the first installments in 2013. The second and future installments are contingent upon certain permits being received. Payments will remain constant throughout the pre-development phase and during production. Cessation or interruptions of operations will cause a pro-rata decrease in the annual disbursements. As an integral part of the LOM agreement, a trust or foundation structure is established for approval of investments and disbursement of funds. Each of the five communities (Corani (Aconsaya), Chacaconiza, Quelcaya, Isivilla, and Aymaña) has agreed to the formation of committees which will consider and approve investment projects for the benefit of the communities, such as schools, medical facilities, roads, or other infrastructure. The amounts of the total annual investment to be directed towards each community is agreed to and defined in the agreement. Bear Creek is an oversight member of the trust and will assist towards the success of the projects; however, the Company will have no voting powers. In this structure, Bear Creek's intent is to appoint independent members with community social responsibility experience

and credibility in order to provide oversight of the foundation's functions in meeting its commitments to the communities and all of its members.

The Company has assisted the communities in forming independent cooperatives for their alpaca breeding and wool fiber businesses. Bear Creek is proud of the results which are now generating significantly improved fiber quality and the region was recently recognized as a producer of the finest wools and weaving products in Peru. In addition, the Company has helped the cooperatives to establish direct marketing contacts in Europe and the United States, eliminating the historical middle man transactions and increasing the value of their sales by as much as 400%.

The Corani project is designed to meet and, in many ways exceed, international standards of environmental compliance. The Corani ESIA, originally granted to the Company by the MEM in 2013, was modified in late 2015, and the Company received approval of the revised ESIA, in January 2016. The terms of the approved ESIA require the Company to commence construction activities (which may include early works projects) in respect of the Corani Property before the ESIA's expiry date in September 2018 in order to maintain the permit.

#### Current Status

The Company is currently awaiting receipt of the Corani construction permit (the "**Construction Permit**") and Water Permit, the applications for each of which were made during 2017 and which the Company expects to receive during the second quarter of 2018.

In late 2017 the Company commenced construction of the Antapata electrical substation near the town of Macusani, the nearest sizeable town to the Corani Property, located on the Interoceanic Highway approximately 30 kilometers directly east of Corani (approximately 64 kilometers by road). This substation will eventually be used to direct electricity to a future power line that will supply the Corani project and is being constructed with the capacity necessary to additionally provide a consistent power supply to the residents of Macusani, who currently experience regular electrical power brownouts.

The Company is assessing potential Corani project financing alternatives and plans to undertake certain pre-construction initiatives over the coming 18 months, which may include site access road construction, power line construction, camp construction and pre-production stripping.

The Company plans to patiently and meaningfully advance Corani toward development during 2018 and will consider a production decision for the project when market and financing conditions are compelling with respect to the project's economic performance.

#### Santa Ana project

##### Introduction

The Santa Ana project is located 120 kilometers southeast of the city of Puno, Department of Puno, Peru and encompasses 5,400 hectares of mineral concessions.

The Company entered into an option agreement to acquire the Santa Ana project in 2004 subject to the condition that the Company acquire the necessary Supreme Decree from the Government of Peru authorizing a foreign company to acquire the rights to the concession located within the 50-km international border region of Peru. In 2007, a Supreme Decree (the "**2007 Supreme Decree**") was issued by the Government of Peru that granted the Company the right to acquire title to and operate within the mineral concessions covering the Santa Ana project, thus satisfying the requirement stemming from the project's location within the 50-km border zone of Peru. On June 25, 2011 however, the Company was notified that the Peruvian Government had issued a subsequent Supreme Decree (the "**2011 Supreme Decree**") that revoked the 2007 Supreme Decree, thus divesting the Company's right to acquire the mineral concessions and operate the Santa Ana project provided by the 2007 Supreme Decree, but which did not specifically revoke the Company's title to the concessions, despite revoking all the rights thereunder. Due to the



Government's actions, the Company has conducted no activities whatsoever at the Santa Ana project since 2011, nor is it able to do so.

In July 2011 the Company commenced a constitutional lawsuit in Peru, known as an "Amparo", against the Peruvian Government (the "**First Amparo**"). The objective of the First Amparo was to seek a determination that the 2011 Supreme Decree violates the Company's rights under the Peruvian Constitution and is therefore unlawful. On May 12, 2014 the Lima First Constitutional Court issued a ruling in the Company's favor holding that the Peruvian Government, among other things, had violated the Company's constitutional rights and that all rights should be returned to the Company as per the 2007 Supreme Decree. The Peruvian Government signaled it intended to appeal that decision. However, in connection with the international Arbitration proceeding described below, as required by the Canada-Peru FTA, the Company desisted from the First Amparo action in August 2014.

On September 5, 2011, the Company received notice of a civil lawsuit filed by the MEM in the First Instance Civil Court of Lima on July 5, 2011 against the Company claiming that the titles to its Santa Ana mineral concessions were not acquired in accordance with Peruvian law (the "**MEM Civil Suit**"). In October 2012, the judge ruled that the MEM Civil Suit was inadmissible because it improperly comingled administrative and legal arguments, and in January 2013 the MEM Civil Suit was formally dismissed. However, the MEM appealed the dismissal decision to the Peruvian Superior Court. The Peruvian Superior Court issued a decision confirming dismissal of the MEM's pleadings as to the validity of Santa Ana's titles but permitting certain other claims in the MEM Civil Suit (not affecting the validity of Santa Ana's titles) to proceed. The first instance ruling on the merits in the MEM Civil Suit is pending.

On February 6, 2014, the Company delivered to the Peruvian Minister of Economy and Finance, the Notice of Intent in respect of the Santa Ana project, stemming from the issuance of the 2011 Supreme Decree, in violation of the Canada-Peru FTA, Peruvian and international law, which extinguished the Company's rights to operate the Santa Ana project and resulted in significant damages to the Company. As no amicable settlement was reached in the six-month period following the filing of the Notice of Intent, on August 11, 2014 the Company submitted a Request for Arbitration with ICSID against the Republic of Peru pursuant to the terms of the Canada-Peru FTA. ICSID agreed to hear the Company's Arbitration claim and assembled the Tribunal, which was comprised of three arbitrators, who held an initial meeting in Washington D.C. in January 2015 to determine an agenda for submissions and hearings.

The Company submitted its Memorial on May 29, 2015, wherein factual and legal arguments supporting its claims against the Government of Peru were detailed. The Memorial was followed by the following submissions and events in respect of the Arbitration:

- On October 6, 2015, the Government of Peru filed its Counter-Memorial on the Merits and Memorial on Jurisdiction.
- On January 8, 2016, the Company submitted its Reply on the Merits and a Counter-Memorial on Jurisdiction.
- On April 13, 2016, the Government of Peru submitted its Rejoinder on the Merits and a Reply on Jurisdiction.
- On May 26, 2016, the Company filed a Rejoinder on Jurisdiction.
- On June 9, 2016, the Government of Canada filed a Non-Disputing Party Submission, providing its views on certain questions of interpretation of the Canada-Peru FTA.
- On June 9, 2016, DHUMA, Mr. Carlos López-Hurtado, and CCSI all filed applications to file written submissions as "other persons" pursuant to the Canada-Peru FTA, together with the submissions themselves.
- On July 7, 2016, the Company and the Government of Peru each submitted their comments to the "other person" applications.

- On July 21, 2016, the Tribunal decided to accept the submission filed by DHUMA and Mr. López-Hurtado, and deny the submission filed by CCSI.
- On August 18, 2016, the Company and the Government of Peru each submitted their comments to the Government of Canada's Non-Disputing Party Submission, and to the DHUMA/López-Hurtado "other person" submission.
- Hearings on jurisdiction and the merits before the Arbitration tribunal were held at ICSID headquarters at the World Bank in Washington D.C. from September 7 to 14, 2016.
- On December 21, 2016, the Company and the Government of Peru each submitted post-hearing briefs.
- On February 15, 2017, the Company and the Government of Peru each submitted a reply to the post-hearing briefs filed on December 21, 2016.
- On March 29, 2017, the Company and the Government of Peru each submitted a Statement on Costs, setting forth in a summary fashion their Arbitration-related costs and expenses.
- On April 14, 2017, the Company and the Government of Peru each submitted a Submission on Costs, addressing the basis on which costs should be allocated. The Company is requesting that it be reimbursed for the entirety of its costs.

The aforementioned filings are available on ICSID's website at: <https://icsid.worldbank.org/en/Pages/cases/casedetail.aspx?CaseNo=ARB/14/21>.

On September 18, 2017 the Tribunal officially closed the Arbitration proceedings and on November 30, 2017, rendered the Award of approximately \$31.0 million in favour of the Company, which Award includes interest and arbitration costs (including attorneys' fees). In its Award decision the Tribunal agreed with the vast majority of the Company's arguments and concluded that the Government of Peru breached its obligations to the Company under the Canada-Peru FTA. In particular, the Tribunal held that the 2011 Supreme Decree constituted an unlawful indirect expropriation of the Santa Ana project. The majority of the Tribunal also concluded that Bear Creek had complied with all legal requirements regarding its outreach activities to the local communities, which Peru approved, supported and endorsed. The award is binding, may not be appealed and requires prompt payment. As of the date of this AIF, payment of the Award has not yet been received by the Company.

### **Other Projects**

All of Bear Creek's exploration programs are conducted under the direct supervision of, and the information below (for greater clarity, the sections "Maria Jose Prospect" through to and including "Generative Exploration") has been prepared or reviewed by, Andrew Swarthout, P.Geo., Executive Chairman who is a Qualified Person as defined in NI 43-101.

### **Maria Jose Prospect**

The Maria Jose Prospect is located in the Department of Ancash, 140 km NNW of Lima, Peru. The project is comprised of Cretaceous to Paleocene diorites and granitoids of the Coastal Batholith hosting a system of east-west to northeast trending, 45° to steeply north dipping, mesothermal quartz veins and shear zones containing high gold grade - silver values. At surface, the five, main east-west veins can be traced for approximately 500 meters; however, shallow cover is prevalent in the district and the possibility of much longer strike lengths is being investigated by shallow trenching and sampling. The total vein lengths observed is approximately 4km. The observed veins range in thickness from 0.20 meters to 1.8 meters with average widths of ~1 meter. Exposed vein intersections reach up to 4.5 meters returning an average of 27.2 g/t gold. During 2015 and 2016, mapping and channel sampling (237 samples) of seven veins yielded values ranging from 1.0 g/t to 233 g/t gold. Based upon preliminary field work to date, the mesothermal

veins are consistently gold bearing and are indicated to have vertical continuity for at least 400 meters as evidenced by prospect pits and scattered outcrops separated by thin soil cover.

In early 2015, the Company entered into an earn-in agreement with a private Peruvian gold producer, AMS, to explore and develop this gold-quartz vein system. The Company signed an option and joint venture agreement with AMS, a Peruvian tunneling contractor and gold producer. AMS is expected to complete 2,000 meters of tunneling and cross-cuts in the vein systems, at its sole cost, to earn a 51% undivided interest in the mineral concessions. Following AMS earning its 51% interest, the two parties will form a joint venture. The primary purpose of this agreement was to reduce Bear Creek's exploration costs while maintaining a meaningful ownership interest in the prospect while ensuring it is managed by a reputable operating partner.

Under the original option agreement (subsequently renegotiated and now effectively exercised) with a private Peruvian third party, Bear Creek Mining was to acquire 100% of the Maria Jose Prospect (3,500 hectares) by making escalating payments totaling \$4 million over four years. Instead, in December 2015, Bear Creek and AMS made a negotiated purchase payment of \$1.2 million to the underlying owner acquiring a 100% interest in the company holding the mineral concessions. As a result, the Company and AMS now jointly own a 100% interest in the Maria Jose concessions. There are no underlying royalties; however, under the purchase agreement, the Company and AMS are obligated to pay an additional \$2.1 million on commencement of commercial production. This additional payment has no time limits.

AMS has secured surface rights agreements with the local community and has constructed an access road to the planned tunnel portal sites and built storage and camp facilities. To date, AMS has applied for the final permits from the regional government of Ancash required to conduct tunneling activities; however, due to various administrative issues, the granting of the permits remains delayed. No technical issues have been raised by the regulators and the permits are expected to be approved in the first half of 2018 upon which the tunneling program will commence. The planned tunneling program to be undertaken by AMS is designed to explore for high-grade gold mineralization in the veins and establish resource potential.

#### Tassa Silver-Gold Prospect

The Tassa silver-gold prospect (the “**Tassa Prospect**”), located southeast of Arequipa in southern Peru, was acquired in 2007 by staking of mineral rights in which the Company controls a 100% interest. The Tassa Prospect is located approximately 230 kilometers south of the Company's Corani Property.

After evaluation of the results of two previous drilling programs, the Company has decided to place Tassa on stand-by as it evaluates alternatives, including seeking a joint venture partner. No Mineral resources or Mineral reserves have been estimated for the Tassa Prospect. However, past exploration results do suggest potential strategic value to the prospect and the Company has no carrying costs except for annual claim payments, which are not material.

#### Sumi Gold Prospect

The Company acquired a 100% interest in the Sumi gold prospect (the “**Sumi Prospect**”) by staking in 2011. The Sumi Prospect is comprised of 1,200 hectares located in the gold-silver tertiary-age epithermal belt in central Peru. The Sumi Prospect exhibits alteration and mineralization typical of a volcanic-sediment hosted, high and low-sulfidation precious metals system with a copper-gold porphyry potential source. Based upon favorable surface mapping and geochemical sampling, a phase I drilling program was performed in 2012 consisting of five diamond drill holes totaling 1,105.3 meters. Results of this drill program are provided in the Company's AIF dated April 19, 2017.

In March 2014, Bear Creek entered into a joint venture agreement with Japan Oil, Gas and Metals National Corporation (“**JOGMEC**”) to advance phase II drilling at the Sumi Prospect to test additional blind vein-breccia targets plus a possible buried Cu porphyry source underlying the large epithermal mineralization footprint exposed at the surface. The agreement provides for JOGMEC to earn a 51% interest through investing \$2.5 million over a three-year period, after which Bear Creek can elect to maintain its 49% interest

or to dilute until reaching 10%, at which time the Company's interest will revert to a 1.0% Net Smelter Return. JOGMEC has not, to date, made sufficient total exploration expenditures to earn into the Sumi Prospect.

JOGMEC made expenditures of \$1.5 million on the Sumi Prospect during the year ended December 31, 2017. Due to the marginal results obtained from its drilling campaigns on the Sumi Prospect, JOGMEC has informed the Company it is evaluating the possibility of terminating the Sumi joint venture agreement. The Company anticipates an official decision from JOGMEC shortly.

### Generative Exploration

Generative exploration is a crucial part of the business of identifying and acquiring new opportunities. Generative exploration costs are those costs not attributable to a specific Bear Creek project. While the Company has significantly reduced its generative exploration efforts in the past several years (\$58 thousand spent during the year ended December 31, 2017), it is maintaining its exploration expertise with an emphasis on gold and silver. Potential exploration prospects are submitted to or are generated by Bear Creek regularly. At any given time, certain targets may be considered for possible acquisition through staking or entering into third party option to purchase agreements. When Bear Creek defines a project as a distinct exploration target, it is then accounted for as a separate project.

### NI 43-101 Disclosure

During the Company's most recently completed financial year and through the date hereof, all of Bear Creek's exploration programs and pertinent disclosure of a technical or scientific nature have been reviewed and approved by Andrew Swarthout, AIPG Certified Professional Geologist, Executive Chairman of the Company and a Qualified Person as defined in NI 43-101, and who has read, verified and approves such information in this AIF.

All diamond drilling has been performed using HQ or NQ diameter core with recoveries averaging greater than 95%. Core is logged and split on site under the supervision of Bear Creek geologists. Sampling is done on two-meter intervals and samples are transported by Company staff for direct shipping to ALS Chemex, Laboratories in Lima, Peru. ALS Chemex is an ISO 9001:2000-registered laboratory and is preparing for ISO 17025 certification. Silver, lead, and zinc assays utilize a multi-acid digestion with atomic absorption ("ore-grade assay method"). The QC/QA program includes the insertion every 20th sample of known standards prepared by SGS Laboratories, Inspectorate, Peru and Rock Labs, Australia.

The 2017 Corani Feasibility Study was prepared by a team of independent QPs including: Juan Carlos Tapia, ChE, IMCh, PE of Sedgman, responsible for Summary, Introduction, Reliance on Other Experts, Recovery Methods, Interpretations and Conclusions, Recommendations and References; Kevin Gunesch, PE, Principal Mining Engineer of GRE, responsible for Property Description and Location, Accessibility and Infrastructure, History, Mining Methods and Market Studies; Jennifer Brown, PG, SME-RM, an associate of GRE, responsible for Geological Setting and Mineralization, Deposit Types, Exploration, Drilling, Sample Preparation and Analysis, Data Verification and Adjacent Properties; Rick Moritz, MMSA, Principal Mining Engineer of GRE, jointly responsible for Mineral Processing and Metallurgical Testing; Deepak Malhotra, PhD, MMSA, Independent Consultant, jointly responsible for Mineral Processing and Metallurgical Testing; Terre Lane, MMSA, Principal Mining Engineer of GRE, responsible for Mineral Resource Estimates, Economic Analysis, Other Relevant Data and Information and jointly responsible for Mineral Reserve Estimates and Mining Methods; Denys Parra, PE, Independent Consultant, jointly responsible for Mineral Reserve Estimates, Environmental Studies, Permitting and Social or Community Impact and Mining Methods; Gregory Wortman, BE (Metallurgy), PE, of Sedgman, jointly responsible for Project Infrastructure; Larry Breckenridge, PE, Principal Environmental Engineer of GRE, jointly responsible for Environmental Studies, Permitting and Social or Community Impact and Project Infrastructure; and, Michal Short, BE (Civil), CEEng FIMMM, FAusIMM(CP), FIEAust, CPEng, of GBM, responsible for Capital and Operating Costs.

Assumptions used in the 2017 Corani Feasibility Study Mineral reserve estimate are:

- The Mineral Reserves have been estimated using the definitions of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM).
- The Mineral Reserves have been estimated using the following metal prices: \$20.00/oz Ag, \$1.00/lb Zn, \$0.95/lb Pb using a revenue factor 1.00 pit shell as a basis for the pit design.
- Only pre-mineral tuff type of material has been considered as reserves.
- NSR Cut-off grades used are equal or higher than: \$11.11/t for the East Pit, and \$11.26/t for Minas and Main pits.
- The effective date for these Mineral Reserves is May 1, 2017.
- Totals / Averages may not add up due to rounding of individual tonnes and grades.
- The tonnes and grades shown are considered a Mineral Reserve because they have been demonstrated to be economically viable through the FEED study financial model using the following metal prices: \$18.00/oz Ag, \$1.10/lb Zn, \$0.95/lb Pb.

The economic input for Mineral resource determination was identical to that applied to the Mineral reserves, with the following exceptions:

- The Mineral resource Whittle pit shell did receive economic credit for inferred-class material. Inferred was treated as waste for the Mineral reserve.
- The Mineral resources were generated within the \$30.00 silver, \$1.425 lead, and \$1.50 zinc price pit shell and the calculated \$11/tonne NSR cut-off.
- The Mineral resource contains potentially leachable material processed at \$4.82/tonne and above a 15 g/tonne silver cut-off. This potentially leachable material is contained within the Whittle pit shell but is not included in the Estimate of Mineral resources. The Mineral reserve does not include any potentially leachable material.

## DESCRIPTION OF CAPITAL STRUCTURE

### General Description of Capital Structure

#### Common Shares

The authorized capital of the Company consists of an unlimited number of common shares without par value. As of the date of this Annual Information Form, 103,085,064 common shares of the Company were issued and outstanding as fully paid and non-assessable shares. Options to acquire a further 7,390,750 common shares are currently under grant, subject to the terms of the Company's 2008 Stock Option Plan (most recently re-approved by shareholders at the Company's annual general meeting on June 1, 2017). In total, the Company's fully-diluted capitalization is 110,475,814 common shares.

All of the authorized common shares of the Company are of the same class and, once issued, rank equally as to dividends, voting powers and participation in assets and in all other respects, on liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs after the Company has paid out its liabilities. The issued common shares are not subject to call or assessment by the Company nor are there any pre-emptive, conversion, exchange, redemption or retraction rights attaching to the common shares.

All registered shareholders are entitled to receive a notice of any general meeting of shareholders to be convened by the Company. At any general meeting, subject to the restrictions on joint registered owners

of common shares, on a show of hands every shareholder who is present in person and entitled to vote has one vote and on a poll, every shareholder has one vote for each common share of which it is the registered owner and may exercise such vote either in person or by proxy. The Company's Articles provide that the rights and provisions attached to any class of shares in which shares are issued may not be modified, amended or varied unless consented to by special resolution passed by a majority of not less than 66 2/3% of the votes cast in person or by proxy by holders of shares of that class.

#### Dividends

Bear Creek has not paid any dividends on its common shares since its incorporation. The Company's current dividend or distribution policy is to retain any earnings and other cash resources for the operation and development of the Company's business. Any decision to pay dividends on common shares in the future will be made by the board of directors of the Company (the "**Board**") on the basis of the earnings, financial requirements and other conditions existing at such time.

#### Shareholder Rights Plan

On April 20, 2016, the Board adopted a shareholder rights plan (the "**Rights Plan**"), which was approved by the shareholders at the Company's annual general meeting held on June 2, 2016.

The Rights Plan has been implemented by way of a shareholder rights plan agreement (the "**Rights Plan Agreement**") dated as of April 20, 2016 between the Company and Computershare Trust Company of Canada, as rights agent. The Board adopted the Rights Plan to ensure, to the extent possible, that all shareholders of the Company are treated equally and fairly in connection with any take-over bid or similar offer for all or a portion of the outstanding common shares of the Company. The Rights Plan was not adopted by the Board in response to, or in anticipation of, any offer or take-over bid.

The fundamental objectives of the Rights Plan are to provide adequate time for the Board and shareholders to assess an unsolicited take-over bid for the Company, to provide the Board with sufficient time to explore and develop alternatives for enhancing and maximizing shareholder value if a take-over bid is made, and to provide shareholders with an equal opportunity to participate in a take-over bid. These alternatives could involve the review of other take-over bids or offers from other interested parties to provide shareholders desiring to sell their common shares with the best opportunity to realize the maximum sale price for their common shares. In addition, with sufficient time, the Board would be better able to explore and, if feasible, advance alternatives to maximize shareholder value through possible corporate reorganizations or restructuring.

The Rights Plan encourages a potential acquirer who makes a take-over bid to proceed either by way of a "Permitted Bid" (as defined in the Rights Plan), which requires a take-over bid to satisfy certain minimum standards designed to promote fairness, or with the concurrence of the Board. If a take-over bid fails to meet these minimum standards and the Rights Plan is not waived by the Board, the Rights Plan provides that holders of common shares, other than the acquirer, will be able to purchase additional common shares at a significant discount to market, thus exposing the acquirer to substantial dilution of its holdings.

The Board believes that the Rights Plan will encourage persons seeking to acquire control of the Company to do so by means of a public take-over bid or offer available to all shareholders and serve to deter acquisitions by means that deny some shareholders the opportunity to share in the premium that an acquirer is likely to pay upon an acquisition of control. By motivating would-be acquirers to make a public take-over bid or offer or to negotiate with the Board, shareholders will have the best opportunity of being assured that they will be able to participate on an equal basis, regardless of the size of their holding, in any acquisition of control of the Company. The Rights Plan is not intended to prevent a take-over or deter fair offers for securities of the Company. The Rights Plan provides various mechanisms whereby shareholders could tender to take-over bids as long as such bids meet the Permitted Bid criteria, and will not adversely limit the opportunity for shareholders to dispose of their common shares through a take-over bid or tender offer which provides fair value to all shareholders. Furthermore, even in the context of a take-over bid that does not meet the Permitted Bid criteria, the Board would still have a duty to consider any bona fide take-

over bid and consider whether or not it should waive the application of the Rights Plan in respect of such bid. In discharging such duty, the Board must act honestly and in good faith with a view to the best interests of the Company.

The Rights Plan is more fully described in the Company's Information Circular dated April 20, 2016 (which also describes the resolution to initially approve the Rights Plan), which is available on SEDAR and on the Company's website. A shareholder or other interested party may obtain a paper copy of the Rights Plan Agreement by contacting the Corporate Secretary of the Company at #1400 – 400 Burrard Street, Vancouver, British Columbia, V6C 3A6.

### Stock Options

The Company has a “rolling” stock option plan (the “**Stock Option Plan**”) for the granting of incentive stock options to the officers, employees, directors and consultants which was adopted by the Board on March 19, 2008, replacing the Company's previous “fixed” number stock option plan. Pursuant to the Stock Option Plan, the maximum number of common shares that may be reserved for issuance under outstanding stock options will be 10% of the Company's issued and outstanding common shares as constituted on the date of any grant of options under the Stock Option Plan. The Stock Option Plan has received regulatory and shareholder approval, the latter being most-recently obtained at the Company's annual general meeting held on June 1, 2017.

As at the date of this Annual Information Form, the Company had 7,390,750 outstanding stock options to purchase up to 7,390,750 common shares of the Company, representing approximately 7.17% of the Company's issued and outstanding shares, at exercise prices ranging from CDN\$1.41 to CDN\$2.73 and expiring between August 2, 2018 and March 16, 2028. The following table summarizes details of the stock options granted by the Company during the financial year ended December 31, 2017.

Month of Issuance	Exercise Price (CDN\$)	Number of Options Granted	Expiry Date
February 16, 2017	2.73	1,050,500	February 16, 2022
October 3, 2017	2.25	1,000,000	October 3, 2027

Under the Stock Option Plan, options are exercisable over periods of up to 10 years as determined by the Board and require an exercise price no less than the closing market price of the Company's shares prevailing on the last trading day immediately preceding the day that the option is granted less the applicable discount, if any, permitted by the policies of the TSX-V and approved by the Board. The Board may from time to time authorize the issue of options to directors, officers, employees and consultants of the Company and its subsidiaries or employees of companies providing management or consulting services to the Company or its subsidiaries. The number of shares which may be reserved for issuance to any one individual may not exceed (without shareholder approval) 5% of the issued shares on a yearly basis or 2% if the optionee is engaged in investor relations activities or is a consultant. The Stock Option Plan contains no vesting requirements, but permits the Board to specify a vesting schedule in its discretion, subject to the TSX-V's minimum vesting requirements, if any.

The Stock Option Plan is more fully described in the Company's Information Circular dated April 19, 2018, which is available on SEDAR and on the Company's website. A shareholder or other interested party may obtain a paper copy of the Stock Option Plan by contacting the Corporate Secretary of the Company at #1400 – 400 Burrard Street, Vancouver, British Columbia, V6C 3A6.

### Restricted Share Units and Deferred Share Units

On March 22, 2016, as part of an ongoing review of the Company's compensation strategies, the Board adopted a long term incentive plan (the “**LTIP**”), which was approved by the shareholders (excluding, as required by the TSX-V policies, the votes of any shareholders who are, or are associates of, directors or

officers of the Company) at the Company's annual general meeting held on June 2, 2016. The purpose of the LTIP is to advance the Company's interests by (a) increasing the proprietary interests of eligible participants in the Company; (b) aligning the interests of eligible participants with the interests of the shareholders of the Company generally; (c) encouraging eligible participants to remain associated with the Company; and (d) furnishing eligible participants with an additional incentive to achieve the goals of the Company.

Under the terms of the LTIP, the Board or, if authorized by the Board, the Compensation Committee may grant units ("**Units**"), which may be either restricted share units ("**Restricted Share Units**" or "**RSUs**") or deferred share units ("**Deferred Share Units**" or "**DSUs**") to eligible participants. Each Unit represents the right to receive one common share in accordance with the terms of the LTIP. Participation in the LTIP is voluntary and, if an eligible participant agrees to participate, the grant of Units will be evidenced by an agreement between the Company and the participant (an "**Award Agreement**"). The interest of any participant in any Unit may not be transferred or assigned except by testamentary disposition or in accordance with the laws governing the devolution of property upon death.

The maximum number of common shares the Company is entitled to issue from treasury under the LTIP for payments in respect of awards of DSUs and for payments in respect of awards of RSUs is an aggregate of 5,000,000 common shares (the "**LTIP Limit**"). The LTIP, together with all other previously established or proposed share compensation arrangements of the Company (including the Company's Stock Option Plan described under "Stock Options" above), may not result in:

- the number of common shares reserved for issuance exceeding 10% of the outstanding issue;
- the number of common shares reserved for issuance to insiders exceeding 10% of the outstanding issue;
- the issuance to insiders, within a one year period, of a number of common shares exceeding 10% of the outstanding issue; or
- the issuance to any one insider and such insider's associates, within a one year period, of a number of common shares exceeding 5% of the outstanding issue.

#### *Restricted Share Units (RSUs)*

An officer, director, employee or consultant of the Company who has been designated by the Company for participation in the LTIP and who agrees to participate in the LTIP is an eligible participant to receive RSUs under the LTIP (an "**RSU Participant**").

Unless otherwise approved by the Board, an RSU will vest and be redeemable as to one-third (1/3) of the total number of RSUs granted on each of the first, second and third anniversary dates of the grant date, provided that all RSUs granted under a particular award shall vest on or before December 31 of the calendar year which is three (3) years following the calendar year in which the service was performed in respect of which the particular award was made (the "**Final Vesting Date**"). In the event that a vesting date occurs within a blackout period or within 5 business days thereafter, the vesting date for such RSUs shall be 10 business days after the date the blackout period ends (the "**Extension Period**"), provided that if an additional blackout period is subsequently imposed by the Company during the Extension Period, then such Extension Period will be deemed to commence following the end of such additional blackout period. Despite the foregoing, a vesting date will not be extended beyond the Final Vesting Date.

On each RSU vesting date, the Company shall decide, in its sole discretion, whether to make all payments in respect of vested RSUs to the RSU Participant in cash, in Common Shares issued from treasury, or a combination of cash and Common Shares issued from treasury based on the fair market value of the Common Shares as at the RSU vesting date. For the purposes of the LTIP, the fair market value with respect to a Common Share on any date is the weighted average trading price of the Common Shares on the Exchange for the five trading days immediately preceding the RSU vesting date or DSU Termination Date (as defined below), as applicable.



If an RSU Participant ceases to be an eligible participant under the LTIP due to termination with cause or voluntary termination by the RSU Participant, all unvested RSUs previously credited to such participant's account are terminated and forfeited as of the termination date. If an RSU Participant ceases to be an eligible participant under the LTIP due to termination without cause, death, total or permanent long-term disability or retirement, any unvested RSUs previously credited to such participant's account will continue to vest in accordance with their terms or, at the discretion of the Board, be terminated and forfeited as of the termination date.

In the event the Company pays a dividend on the Shares subsequent to the granting of an RSU award, the number of RSUs relating to such award shall be increased to reflect the amount of the dividend in accordance with the provisions of the LTIP.

#### *Deferred Share Units (DSUs)*

An officer, director, or employee (but not a consultant) of the Company who has been designated by the Company for participation in the LTIP and who agrees to participate in the LTIP is an eligible participant to receive DSUs under the LTIP (a “**DSU Participant**”).

All DSUs awarded to a DSU Participant will vest on the date on which the DSU Participant ceases to be a director of the Company (the “**DSU Termination Date**”). In the event a DSU Participant ceases to be a DSU Participant due to involuntary termination with cause, or if applicable, involuntary removal as a director, all DSUs which did not become vested on or prior to such date of involuntary termination with cause or involuntary removal shall be terminated and forfeited as of such date of involuntary termination with cause or involuntary removal.

On the DSU Termination Date, payment in respect of a DSU Participant's DSU becomes payable and the Company will decide, in its sole discretion, whether to make the payment in cash, in Common Shares issued from treasury, or a combination of cash and Common Shares issued from treasury based on the fair market value of the Common Shares as at the DSU Termination Date.

In the event the Company pays a dividend on the Shares subsequent to the granting of a DSU award, the number of DSUs relating to such award shall be increased to reflect the amount of the dividend in accordance with the provisions of the LTIP.

The LTIP, including details regarding RSUs and DSUs is more fully described in the Company's Information Circular dated April 20, 2016 (which describes the resolution to approve the LTIP), which is available on SEDAR and on the Company's website. A shareholder or other interested party may obtain a paper copy of the LTIP by contacting the Corporate Secretary of the Company at #1400 – 400 Burrard Street, Vancouver, British Columbia, V6C 3A6.

## MARKET FOR SECURITIES

### Trading Price and Volume

The Company's common shares are listed and traded in Canada on the TSX Venture Exchange (“**TSX-V**”) under the symbol “**BCM**”.

The following table sets forth the price ranges and trading volume of the common shares, on a monthly basis, on the TSX-V during the Company's most recently completed financial year:

<b>Period</b>	<b>High (CDN\$)</b>	<b>Low (CDN\$)</b>	<b>Avg. Volume</b>
January 2017	3.05	2.35	123,104
February 2017	3.40	2.57	137,231
March 2017	2.89	2.11	86,995
April 2017	2.35	1.98	64,034

<b>Period</b>	<b>High (CDN\$)</b>	<b>Low (CDN\$)</b>	<b>Avg. Volume</b>
May 2017	2.70	2.10	68,609
June 2017	2.55	1.91	61,260
July 2017	2.55	1.90	57,289
August 2017	2.68	2.09	39,342
September 2017	2.74	1.64	64,519
October 2017	2.28	1.85	27,441
November 2017	2.165	1.71	51,786
December 2017	2.17	1.84	83,756

Source: Stockwatch (www.stockwatch.com)

## **DIRECTORS AND OFFICERS**

### ***Name, Occupation and Security Holding***

The name, province or state, country of residence, position or office held with the Company and principal occupation during the past five years of each of the directors and executive officers of the Company (as of the date of this AIF) are described below. The term of office of each director will expire at the next annual general meeting of shareholders, scheduled for June 6, 2018.

<b>Name, Province/State and Country of Residence<sup>(1)</sup></b>	<b>Office or Position Held with the Company</b>	<b>Director Since</b>	<b>Principal Occupation during past five years<sup>(1)</sup></b>
<b>Andrew T. Swarthout<sup>(6)</sup></b> Arizona, USA	Executive Chairman of the Board of Directors	April 22, 2003	CEO and Director of the Company from April 2003 to September 30, 2017; President of the Company from April 2003 to February 2011 and August 2013 to September 30, 2017. Director of Sandstorm Gold Ltd. from March 2009 to present and of Sandstorm Metals & Energy Ltd. (predecessor company of Sandstorm Gold Ltd.) from January 2010 to March 2016. Former Director of Rio Cristal Resources Corporation from December 2006 to September 2013 and Esperanza Resources Corp. from May 2012 to August 2013.

Name, Province/State and Country of Residence <sup>(1)</sup>	Office or Position Held with the Company	Director Since	Principal Occupation during past five years <sup>(1)</sup>
<p><b>Catherine McLeod-Seltzer</b><sup>(6)(7)(8)</sup> British Columbia, Canada</p>	<p>Co-Chairman of the Board of Directors</p>	<p>September 30, 1999</p>	<p>Director of several public companies including: Kinross Gold Corporation, Major Drilling Group International Inc., Lucara Diamond Corp. and Grenville Strategic Royalty Corp. (formerly, Troon Ventures Ltd.). Former Chairman and Director of Pacific Rim Mining Corp. from September 1997 to November 2013 and former Director of JDL Gold Ltd. (formerly, Lowell Copper Ltd.) from July 2013 to March 2017.</p>
<p><b>Anthony Hawkshaw</b> British Columbia, Canada</p>	<p>President and CEO, and Director</p>	<p>October 1, 2017</p>	<p>President and CEO of the Company. Founding shareholder, director and CFO of Rio Alto Mining from 2007 to 2014. Director of Regulus Resources Inc. from September 2014 to present. Former Director of the following publicly traded companies: Alio Gold Inc. from July 2014 to September 2017; Caza Gold Crop. from June 2009 to December 2013; Southern Legacy Minerals Inc. from December 2012 to September 2014; and, Marlin Gold Mining Ltd. from September 2012 to February 2014.</p>
<p><b>David De Witt</b><sup>(2)(3)(4)(5)</sup> British Columbia, Canada</p>	<p>Lead Director</p>	<p>April 22, 2003</p>	<p>Chairman and Director of Pathway Capital Ltd., a private venture capital company, from September 2004 to present. Currently a Director of Sandstorm Gold Ltd. (a publicly traded Company). Former Director of the following publicly-traded companies: Northern Dynasty Minerals Ltd. from February 2016 to June 2016; JDL Gold Ltd. (formerly Lowell Copper Ltd.) from July 2013 to September 2015; Anthem United Inc. (formerly Turnberry Resources Ltd.) from January 2011 to April 2014; and Royalty North Partners Ltd. (formerly Bluefire Mining Corp.) from March 2011 to June 2015.</p>

Name, Province/State and Country of Residence <sup>(1)</sup>	Office or Position Held with the Company	Director Since	Principal Occupation during past five years <sup>(1)</sup>
<b>Kevin Morano</b> <sup>(2)(4)(5)(6)</sup> Florida, USA	Director	April 22, 2003	Principal, KEM Capital LLC, a private investment and advisory firm, since 2007. Director of Golden Minerals Company from March 2009 to present.
<b>Nolan Watson</b> <sup>(3)(4)(5)(6)</sup> British Columbia, Canada	Director	August 19, 2009	President and Chief Executive Officer of Sandstorm Gold Ltd. from September 2008 to present. Chairman of Royalty North Partners from June 2016 to present. President and Director of Sandstorm Metals & Energy Ltd. (predecessor company of Sandstorm Gold Ltd.) from May 2010 to March 2016. Director of True Gold Mining Inc. from December 2012 to May 2016.
<b>Frank R. Tweddle</b> <sup>(2)(3)(4)(7)</sup> Lima, Peru	Director	December 6, 2010	Principal Partner of Andes Mining Research S.A.C. since October 2013. Deputy CEO of Mitsui del Peru S.A. from May 2004 to September 2013.
<b>Paul Tweddle</b> Lima, Peru	Chief Financial Officer	N/A	Chief Financial Officer of the Company from March 1, 2018 to present. CFO of Oben Holding Group from 2017 to 2018, Principal Consultant of Andes Mining Research from 2016 to 2017, and Vice President Finance and Commercial of Tahoe Resources Inc., and predecessor company Rio Alto Mining Ltd. from 2011 to 2015.
<b>Elsiaro Antunez de Mayolo</b> Lima, Peru	Chief Operating Officer, VP of Operations and General Manager	N/A	COO of the Company from August 2013 to present. General Manager, Peruvian branch, from March 2010 to present and VP of Operations from February 2011 to present.
<b>Eric Caba</b> Lima, Peru	Vice President, Project Development	N/A	VP Project Development of the Company from March 15, 2018 to present. General Manager of Erca Resources from August 2017 to March 2018. Vice President, South America Business Unit, HudBay Minerals from 2013 to August 2017.

Name, Province/State and Country of Residence <sup>(1)</sup>	Office or Position Held with the Company	Director Since	Principal Occupation during past five years <sup>(1)</sup>
<b>Barbara Henderson</b> British Columbia, Canada	Corporate Secretary	N/A	Corporate Secretary of the Company from June 2016 to present. Director of Investor Relations from July 2015 to present, and former Assistant Corporate Secretary from January 2015 to June 2016. Previously Vice President of Investor Relations and Corporate Secretary of Pacific Rim Mining Corp. from July 1997 to February 2013.

- (1) The information as to the jurisdiction of residence and principal occupation, not being within the knowledge of the Company, has been furnished by each of the respective individuals.
- (2) Member of Compensation Committee.
- (3) Member of Audit Committee.
- (4) Member of Nominating and Corporate Governance Committee.
- (5) Member of Transaction Response Committee.
- (6) Member of Financing Committee.
- (7) Member of the 2017 Search Committee.
- (8) Ms. McLeod-Seltzer has indicated that she will not be standing for re-election as a director of Major Drilling Group International Inc. at that company's next annual meeting, which is expected to be held in or around September 2018.

Each of the Company's directors is elected by the Company's shareholders at an annual general meeting to serve until the next annual general meeting of shareholders or until a successor is elected or appointed. The Board appoints the Company's executive officers annually after each annual general meeting, to serve at the discretion of the Board. As disclosed in its Information Circular dated April 19, 2018 (available on the Company's website and on SEDAR), Nolan Watson will not be standing for re-election to the Company's Board at the Company's upcoming Annual General Meeting scheduled for June 6, 2018.

Based on information provided by such persons, as at the date of this Annual Information Form, the directors and executive officers of the Company as a group beneficially owned, or controlled or directed, directly or indirectly, an aggregate of 4,579,983 common shares of the Company, representing approximately 4.44% of the issued and outstanding common shares of the Company. In addition, the directors and executive officers of the Company as a group hold stock options for the purchase of an aggregate of 6,461,350 common shares in the capital of the Company, which options have exercise prices ranging from CDN\$1.41 to CDN\$2.73 and expire between August 2, 2018 and March 16, 2028.

**Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

To the knowledge of the Company, none of the Company's directors or executive officers is, as at the date of this AIF, or has been, within ten years before the date of this AIF, a director, chief executive officer or chief financial officer of any Company (including the Company) that:

- (a) was subject to an Order (as defined below) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

“**Order**” means a cease trade order, an order similar to a cease trade order, or an order that denied the relevant Company access to any exemption under securities legislation and, in each case, that was in effect for a period of more than 30 consecutive days.

To the knowledge of the Company, other than as disclosed below with respect to Kevin Morano, none of the Company’s directors or executive officers or any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has been subject to:
  - (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
  - (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Kevin Morano was a director of Apex Silver Mines Limited, which on January 12, 2009 filed for bankruptcy protection and emerged from bankruptcy as Golden Minerals Company on March 24, 2009.

In April 2006, United States Securities and Exchange Commission (“**SEC**”) filed a complaint against Lumenis Ltd. (“**Lumenis**”), one of its former officers and Mr. Morano, the former Chief Financial Officer of Lumenis, alleging violations of federal securities laws of the United States in connection with the accounting for certain Lumenis sales transactions included in its 2002 and 2003 financial statements (the “**Complaint**”). Without admitting or denying the allegations in the Complaint, Mr. Morano consented to the entry, in September 2008, of a final consent judgment that, among other things, enjoined Mr. Morano from violating various provisions of the federal securities laws, ordered Mr. Morano to pay a \$55,000 civil penalty, and included an SEC administrative order suspending Mr. Morano from appearing or practicing before the SEC as an accountant. In February 2015, the SEC issued an order reinstating Mr. Morano to appear and practice before the SEC as an accountant responsible for the preparation and review of financial statements.

### **Conflicts of Interest**

The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board, any director in a conflict will disclose his or her interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, that director will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

To the best of the Company’s knowledge, there are no known existing or potential conflicts of interest among the Company, its promoters, directors, officers or other members of management of the Company as a result of their outside business interests, except that certain of the directors, officers, promoters and other members of management serve as directors, officers, promoters and members of management of other public companies, and therefore it is possible that a conflict may arise between their duties to the Company

and their duties as a director, officer, promoter or member of management of such other companies. See “Directors and Officers”.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors’ and officers’ conflicts of interest or in respect of any breaches of duty by any of its directors or officers. Such directors or officers, in accordance with the *Business Corporations Act* (British Columbia), are required to disclose all such conflicts and to govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

### **Legal Proceedings**

Other than the MEM Civil Suit and the Arbitration in respect of the Santa Ana project (as discussed under “Three Year History and Significant Acquisitions” and “Mineral Projects – Santa Ana project”), there are no legal proceedings to which the Company is a party or, to the best of the Company’s knowledge, to which any of the Company’s property is or was during the last financial year subject, and there are no such proceedings known by the Company to be contemplated.

### **Regulatory Actions**

There are no: (a) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the Company’s most recently completed financial year and up to the date of this Annual Information Form; (b) other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, other than in relation to the 2011 Supreme Decree in respect of the Santa Ana project (as discussed under “Three Year History and Significant Acquisitions” and “Mineral Projects – Santa Ana project”); or (c) settlement agreements the Company entered into with a court relating to securities legislation or with a securities regulatory authority during the Company’s most recently completed financial year and up to the date of this Annual Information Form.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

To the knowledge of the Company, none of the directors or executive officers, or shareholders that beneficially own, control or direct (directly or indirectly) more than 10% of the Company’s shares, nor any associate or affiliate of the foregoing, has any material interest, direct or indirect, in any transactions in which the Company has participated within the three most recently completed financial years or in the current financial year prior to the date of this Annual Information Form, which has materially affected or is reasonably expected to materially affect the Company.

Certain directors, executive officers, and/or shareholders that beneficially own, control or direct (directly or indirectly) more than 10% of the Company’s shares have participated in financings of the Company and/or have been granted stock options of the Company and/or received consulting fees for services provided to the Company.

## **TRANSFER AGENTS AND REGISTRARS**

The registrar and transfer agent for the common shares of the Company is Computershare Investor Services Inc. at its principal office in Vancouver, British Columbia.

## **MATERIAL CONTRACTS**

The Company has not entered into any material contracts within the last financial year and up to the date of this Annual Information Form, or before the last financial year but which are still in effect, and that are required to be filed under section 12.2 of National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”) at the time this Annual Information Form is filed or would be required to be filed under section 12.2 of NI 51-102 at the time this Annual Information Form is filed but for the fact that such material contracts were previously filed.

## **INTERESTS OF EXPERTS**

### **Names of Experts**

The following persons or companies whose profession or business gives authority to a statement made by the person or company are named in the AIF as having prepared or certified a part of that document or a report of valuation described in the AIF:

1. Juan Carlos Tapia, ChE, IMCh, PE of Sedgman is the QP responsible for the Executive Summary of the 2017 Corani Feasibility Study incorporated by reference in this AIF (See “Material Projects – Corani Silver-Lead-Zinc Property”). The 2017 Corani Feasibility Study was prepared by a team of independent QPs including: Juan Carlos Tapia, ChE, IMCh, PE of Sedgman, responsible for Executive Summary, Introduction, Reliance on Other Experts, Recovery Methods, Interpretations and Conclusions, Recommendations and References; Kevin Gunesch, PE, Principal Mining Engineer of GRE, responsible for Property Description and Location, Accessibility and Infrastructure, History, Mining Methods and Market Studies; Jennifer Brown, PG, SME-RM, an associate of GRE, responsible for Geological Setting and Mineralization, Deposit Types, Exploration, Drilling, Sample Preparation and Analysis, Data Verification and Adjacent Properties; Rick Moritz, MMSA, Principal Mining Engineer of GRE, jointly responsible for Mineral Processing and Metallurgical Testing; Deepak Malhotra, PhD, MMSA, Independent Consultant, jointly responsible for Mineral Processing and Metallurgical Testing; Terre Lane, MMSA, Principal Mining Engineer of GRE, responsible for Mineral Resource Estimates, Economic Analysis, Other Relevant Data and Information and jointly responsible for Mineral Reserve Estimates and Mining Methods; Denys Parra, PE, Independent Consultant, jointly responsible for Mineral Reserve Estimates, Environmental Studies, Permitting and Social or Community Impact and Mining Methods; Gregory Wortman, BE (Metallurgy), PE, of Sedgman, jointly responsible for Project Infrastructure; Larry Breckenridge, PE, Principal Environmental Engineer of GRE, jointly responsible for Environmental Studies, Permitting and Social or Community Impact and Project Infrastructure; and, Michal Short, BE (Civil), CEng FIMMM, FAusIMM(CP), FIEAust, CPEng, of GBM, responsible for Capital and Operating Costs.
2. The audited financial statements of the Company for the year ended December 31, 2017 have been subject to audit by PricewaterhouseCoopers LLP, Chartered Professional Accountants.

### **Interests of Experts**

Based on information provided by the experts named under “Names of Experts” above, the registered or beneficial interest, direct or indirect, in any securities or other property of the Company or of one of the Company's associates or affiliates of each of the above experts represents less than one per cent of the Company's outstanding securities. None of the above experts is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

The Company's auditor, PricewaterhouseCoopers LLP, Chartered Professional Accountants, has advised the Company that they are independent with respect to the Company in accordance with the Code of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia.



## AUDIT COMMITTEE INFORMATION

### Audit Committee Charter

The following is the text of the Audit Committee's Charter:

#### General

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities regarding the integrity of the Company's accounting and financial reporting processes and provision of financial information to the shareholders and others, the systems of internal controls and disclosure controls, the internal and external audit processes, the policies with regard to ethics and business practices, and monitoring compliance with the Company's legal and regulatory requirements with respect to its financial statements.

The Audit Committee is accountable to the Board. In the course of fulfilling its specific responsibilities hereunder, the Audit Committee is expected to maintain an open communication between the Company's external auditor, senior management and the Board.

The responsibilities of a member of the Audit Committee are in addition to such member's duties as a member of the Board.

The Audit Committee does not plan or perform audits or warrant the accuracy or completeness of the Company's financial statements or financial disclosure or compliance with generally accepted accounting procedures as these are the responsibility of management and the external auditor.

#### Composition

The Audit Committee shall be composed of a minimum of three directors. The members shall be appointed annually by the Board, typically at the first meeting of the Board following the annual shareholder's meeting. Unless a Chair is appointed by the full Board, the members of the Audit Committee may designate a Chair by a majority vote of the full Audit Committee membership.

All members of the Audit Committee shall meet the independence, financial literacy and experience requirements under applicable laws, rules and regulations binding on the Company from time to time, including without limitation the applicable rules of any stock exchanges upon which the Company's securities are listed and any requirements for independence and financial literacy under applicable securities laws.

#### Procedural Matters

The Audit Committee shall be governed by the Terms of Reference for Committees adopted by the Board, save as modified by the procedural requirements and powers provided in this Charter. The Audit Committee:

- (a) Shall meet at least four times per year, either by telephone conference or in person. Any member of the Audit Committee may call such a meeting.
- (b) May invite the Company's external auditor, the CFO, and such other persons as deemed appropriate by the Audit Committee to attend meetings of the Audit Committee. As part of its job to foster open communication, the Audit Committee shall meet at least annually with the CFO and the external auditor in separate sessions.
- (c) Shall report material decisions and actions of the Audit Committee to the Board, together with such recommendations as the Audit Committee may deem appropriate, at the next Board meeting.
- (d) Shall review the performance of the Audit Committee on an annual basis and report the results of such review to the Board.
- (e) Shall review and assess this Charter for the Audit Committee at least annually and submit any proposed revisions to the Board for approval.

- (f) Has the power to conduct or authorize investigations into any matter within the scope of its responsibilities. The Audit Committee has the right to engage independent counsel and other advisors as it determines necessary to carry out its duties, and the right to set and pay the compensation for any such counsel or advisors engaged by the Audit Committee.
- (g) Has the right to communicate directly with the CFO and other members of management who have responsibility for the audit process (“**internal audit management**”) and the external auditor.

### Responsibilities

Subject to the powers and duties of the Board, the Board hereby delegates to the Audit Committee the following powers and duties to be performed by the Audit Committee on behalf of and for the Board.

#### *Financial Reporting, Accounting and Financial Management*

The Audit Committee has primary responsibility for overseeing the actions of management in all aspects of financial management and reporting. The Audit Committee shall:

- (a) Review and recommend to the Board for approval the Company's financial statements, Management's Discussion and Analysis, Annual Information Form (if any), future-oriented financial information or pro-forma information, and other financial disclosure in continuous disclosure documents, including any annual and interim profit or loss press releases and any certification, report, opinion or review rendered by the external auditor, before the Company publicly discloses such information. (See also “*Interim Financial Statements*” below.)
- (b) Ensure that it is satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements (other than public disclosure referred to in subsection (a) immediately above) and periodically assess the adequacy of those procedures as necessary.
- (c) Review material financial risks with management, the plan that management has implemented to monitor and deal with such risks, and the success of management in following the plan.
- (d) Consult annually and otherwise as required with the Company's President and CEO and CFO respecting the adequacy of the internal controls and review any breaches or deficiencies.
- (e) Review process as necessary with regard to certifications, and obtain certifications by the President and CEO and CFO attesting to disclosure controls and procedures and internal control over financial reporting as required or advisable.
- (f) Review management's response to significant written reports and recommendations issued by the external auditor and the extent to which such recommendations have been implemented by management. Review such responses with external auditor as necessary.
- (g) Review with management the Company's compliance with applicable laws and regulations respecting financial matters.
- (h) Review with management proposed regulatory changes and their impact on the Company.
- (i) Review with management and approve public disclosure of the Audit Committee Charter, including in the Company's Information Circular and on the Company's website.

#### *External Auditor*

The Audit Committee has primary responsibility for the selection, appointment, dismissal, compensation and oversight of the external auditor, subject to the overall approval of the Board. For this purpose, the Audit Committee may consult with management, but the external auditor shall report directly to the Audit

Committee. The Audit Committee has the right to communicate directly with the internal and external auditors. The specific responsibilities of the Audit Committee with regard to the external auditor are to:

- (a) Recommend to the Board annually:
  - (i) the external auditor to be nominated (whether the current external auditor or a suitable alternative) for the purpose of preparing or issuing an auditor's report or performing other audit, review, or attest services for the Company; and
  - (ii) the compensation of the external auditor.
- (b) Oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company.
- (c) Resolve disagreements, if any, between management and the external auditor regarding financial reporting. To resolve such disagreements, the Audit Committee shall query management and the external auditor and take other steps as necessary. The Audit Committee shall provide the Board with such recommendations and reports with respect to the financial statements of the Company as it deems advisable.
- (d) Take reasonable steps to confirm the independence of the external auditor, including but not limited to pre-approving any non-audit related services provided by the external auditor to the Company or the Company's subsidiaries, if any, with a view to ensuring independence of the auditor. If necessary, recommend to the Board to take appropriate corrective action to ensure the independence of the external auditor.
- (e) Review and pre-approve all audit and audit-related services and the fees related thereto, provided by the Company's external auditor.
- (f) Review and pre-approve all non-audit services to be performed by the Company's external auditor, in accordance with any applicable regulatory and securities law requirements and the requirements of any stock exchange upon which the Company's shares are listed with respect to approval of non-audit related services performed by the external auditor. The Audit Committee may delegate certain pre-approval functions for non-audit services to one or more independent members of the Audit Committee if it first adopts specific policies and procedures respecting same in accordance applicable securities laws and provided that any such pre-approval decisions are presented to the full Audit Committee for approval at its next meeting.
- (g) Obtain from the external auditor confirmation that the external auditor is a 'participating audit' firm for the purpose of National Instrument 52-108 *Auditor Oversight* and are in compliance with governing regulations.
- (h) Review and evaluate the performance of the external auditor, including without limitation the external auditor's internal quality-control procedures.
- (i) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the Company's present and former external auditor.

#### *Audit and Financial Reporting Process*

The Audit Committee has a duty to receive, review and make any inquiry regarding the completeness, accuracy and presentation of the Company's financial statements to ensure that the financial statements fairly present the financial position and risks of the organization and are prepared in accordance with the applicable generally accepted accounting principles. To accomplish this, the Audit Committee shall:

- (a) Review at least annually the Company's internal system of audit and financial controls, internal audit procedures and results of such audits,

- (b) Prior to the annual audit by the external auditor, consider the scope and general extent of the external auditor's review, including its engagement letter. Review with management the external auditor's audit plan and intended template for financial statements.
- (c) Ensure the external auditor has full, unrestricted access to required information and has the cooperation of management.
- (d) Review with the external auditor, in advance of the audit, the audit process and standards, as well as regulatory or Company-initiated changes in accounting practices and policies and the financial impact thereof, and selection or application of appropriate accounting principles.
- (e) Review with the external auditor and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, or significant judgments made by management that could have a material effect upon the financial position of the Company and the manner in which these matters are being disclosed in the financial statements. Review the appropriateness and disclosure of any off-balance sheet matters. Review disclosure of any related-party transactions.
- (f) Receive and review with the external auditor, the external auditor's audit report and the audited financial statements. Make recommendations to the Board respecting approval of the audited financial statements.
- (g) Review annually the integrity of the Company's internal and external financial reporting and accounting principles, including the clarity, completeness and accuracy of financial disclosure and the degree of conservatism or aggressiveness of the accounting policies and estimates, performance of internal audit management, any significant disagreements or difficulties in obtaining information, adequacy of internal controls over financial reporting and the degree of compliance of the Company with prior recommendations of the external auditor. The Audit Committee shall direct management to implement such changes as the Audit Committee considers appropriate, subject to any required approvals of the Board arising out of the review.
- (h) Meet at least annually with the external auditor, independent of management, consider external auditor's judgments about the quality and appropriateness of the Company's accounting principles and practices, and report to the Board on such meetings.

*Interim Financial Statements*

The Board shall generally approve the Company's annual and interim financial statements. Notwithstanding the foregoing, the Board may from time to time delegate to the Audit Committee the power to approve the Company's interim financial statements.

The Audit Committee shall:

- (a) Review on an annual basis the Company's practice with respect to review of interim financial statements by the external auditor.
- (b) Review the interim financial statements with the external auditor if the external auditor conducts a review of the interim financial statements.
- (c) Conduct all such reviews and discussions with the external auditor and management as the Audit Committee deems appropriate.
- (d) Review and, if such authority has been delegated to the Audit Committee by the Board, approve the interim financial statements.

- (e) If authority to approve the interim financial statements has not been delegated to the Audit Committee, make appropriate recommendation to the Board respecting approval of the interim financial statements.

*Ethics*

The Audit Committee has primary responsibility for overseeing the application of, and compliance with, the Company's Code of Business Conduct and Ethics (the "Code"). The Audit Committee shall review at least annually:

- (a) the Code,
- (b) management's approach to business ethics and corporate conduct; and
- (c) programs used by management to monitor compliance with the Code.

*Complaints and Concerns*

The Audit Committee shall ensure that the Company has adequate procedures in place for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and confidential and anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters (collectively, "complaints").

Subject to applicable law, complaints, including those under the Company's Whistleblower Policy, may be made anonymously and, if not made anonymously, the identity of the person submitting such complaint will be kept confidential. Upon receipt of a complaint, the Chair will conduct or designate a member of the Audit Committee to conduct an initial investigation. If the results of that initial investigation indicate there may be any merit to the complaint, the matter will be brought before the Audit Committee for a determination of further investigation and action. Records of complaints made and the resulting action or determination with respect to the complaint shall be documented and kept in the records of the Audit Committee for a period of at least three years or otherwise pursuant to the Company's records retention policy, if any.

*Reporting*

The Audit Committee shall report to the Board at its regularly scheduled meetings.

***Composition of the Audit Committee and Relevant Education and Experience***

The following are the members of the Audit Committee:

Nolan Watson	Independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>
Frank Tweddle	Independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>
David De Witt	Independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>

(1) As defined by NI 52-110.

Messrs. Watson, Tweddle, and De Witt are all financially literate in that they have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Mr. Watson has been the President and Chief Executive Officer of Sandstorm Gold Ltd. since September 2008 and was its Chairman from January 2013 to March 2016. He is additionally Chairman and a director of Royalty North Partners Ltd. (since June 2016). Mr. Watson was previously the Chairman, President and Chief Executive Officer of Sandstorm Metals & Energy Ltd., a predecessor company of Sandstorm Gold Ltd., a director of TrueGold Mining Inc., and was the Chief Financial Officer of Silver Wheaton Corp. in which role he assisted in raising over \$1 billion in debt and equity to fund Silver Wheaton's growth. Mr. Watson is a Chartered Financial Analyst, a Chartered Accountant (Valedictorian of the Institute of

Chartered Accountants of British Columbia), and holds a Bachelor of Commerce degree (with honours) from the University of British Columbia. Mr. Watson has been recognized as one of the Top 40 Under 40 in Vancouver by Business in Vancouver magazine and one of the Top 40 under 40 in Canada by the Globe & Mail.

Mr. Tweddle is Principal Partner of Andes Mining Research S.A.C. since October 2013. Mr. Tweddle is the former Deputy CEO of Mitsui del Peru S.A in charge of trading and new business development in the areas of natural resources, energy and infrastructure in Peru. He previously held executive positions with Southern Peru Copper Corporation where he managed commercial conditions and price risk for metals and concentrates and with Standard Bank Plc where he originated transactions in structured project and trade finance. Since 2008, Mr. Tweddle has served as an independent board member of privately owned Tecnofil S.A., the largest fabricator and exporter of copper products in Peru.

Mr. De Witt is the Chairman of Pathway Capital Ltd., a Vancouver-based private venture capital company he co-founded in October 2004. He is currently a director, and Chairman of the audit committee, of Sandstorm Gold Ltd. and was formerly Chairman of the audit committee at Sandstorm Metals & Energy Ltd., a predecessor company of Sandstorm Gold Ltd., and a director, and VP of Corporate Development for, Peru Copper Ltd. He has been the director of a number of public companies involved in the natural resource field and has accumulated significant executive and audit committee experience. Mr. De Witt graduated from the University of British Columbia with a Bachelor of Commerce degree in 1975 and a Bachelor of Law degree in 1978 and practiced corporate, securities and mining law until his retirement from the practice of law in January 1997.

#### **Audit Committee Oversight**

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

#### **Reliance on Certain Exemptions**

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), Section 3.2 of NI 52-110 (*Initial Public Offerings*), Section 3.3(2) of NI 52-110 (*Controlled Companies*), Section 3.4 of NI 52-110 (*Events Outside Control of Member*), Section 3.5 of NI 52-110 (*Death, Disability or Resignation of Audit Committee Member*), Section 3.6 of NI 52-110 (*Temporary Exemption for Limited and Exceptional Circumstances*) or Section 3.8 of NI 52-110 (*Acquisition of Financial Literacy*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*) of NI 52-110.

#### **Pre-Approval Policies and Procedures**

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described above in the Audit Committee's Charter under the heading "External Auditor".

#### **External Auditor Service Fees (By Category)**

PricewaterhouseCoopers LLP has served as the independent auditors for the Company since August 1, 2006 and acted as the Company's independent auditors for the financial year ended December 31, 2016. The chart below sets forth the total amount billed to the Company by the Company's auditors for services performed in the last two financial years and breaks down these amounts by category of service (for audit fees, audit-related fees, tax fees and all other fees):

<i>Financial Year Ended</i>	<i>Audit Fees<sup>(1)</sup></i>	<i>Audit-Related Fees<sup>(2)</sup></i>	<i>Tax Fees<sup>(3)</sup></i>	<i>All Other Fees<sup>(4)</sup></i>
December 31, 2017	\$81,750	\$44,100	\$7,000	\$1,100
December 31, 2016	\$76,500	\$78,225	\$7,000	\$1,100

- (1) "Audit Fees" are the aggregate fees charged by the Company's auditors for the audit of the Company's consolidated annual financial statements, reviews of interim financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements.
- (2) "Audit-Related Fees" are fees charged by the Company's auditors for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under "Audit Fees." For the fiscal year ended December 31, 2016, Audit-Related Fees include fees paid to the Company's auditors in respect of the Offering.
- (3) "Tax Fees" are fees charged by the Company's auditors for tax compliance, tax advice and tax planning in respect of each of the fiscal years ended December 31, 2016 and 2017 respectively.
- (4) "All Other Fees" are fees charged by the Company's auditors for products and services in respect of each of the fiscal years ended December 31, 2016 and 2017 respectively.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.bearcreekmining.com](http://www.bearcreekmining.com).

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Company's Information Circular for its most recent annual general meeting of shareholders that involved the election of directors.

Additional financial information is provided in the Company's consolidated financial statements and management's discussion and analysis for its most recently completed financial year.